OFFERING CIRCULAR

U.S.$338,500,000 Class A-1 First Priority Senior Secured Floating Rate Notes Due 2037
U.S.$103,500,000 Class A-2 Second Priority Senior Secured Floating Rate Notes Due 2037
U.S.$83,000,000 Class B Third Priority Senior Secured Floating Rate Notes Due 2037
U.S.$30,000,000 Class C Fourth Priority Secured Deferrable Floating Rate Notes Due 2037
U.S.$13,000,000 Class D-1 Fifth Priority Secured Deferrable Fixed/Floating Rate Notes Due 2037
U.S.$5,000,000 Class D-2 Fifth Priority Secured Deferrable Fixed/Floating Rate Notes Due 2037
U.S.$29,000,000 Class D-3 Fifth Priority Secured Deferrable Floating Rate Notes Due 2037
U.S.$5,000,000 Class E-1 Sixth Priority Secured Deferrable Fixed/Floating Rate Notes Due 2037
U.S.$29,000,000 Class E-2 Sixth Priority Secured Deferrable Floating Rate Notes Due 2037
U.S.$7,000,000 Class F Seventh Priority Secured Deferrable Floating Rate Notes Due 2037
U.S.$50,000,000 Class G Eighth Priority Secured Deferrable Floating Rate Notes Due 2037
U.S.$27,000,000 Class H Ninth Priority Secured Deferrable Floating Rate Notes Due 2037
U.S.$54,700,000 Income Notes Due 2037
U.S.$28,000,000 Combination Notes Due 2037

KODIAK CDO I, LTD.
KODIAK CDO I, INC.

KODIAK CDO I, LTD., an exempted company with limited liability incorporated under the laws of the Cayman Islands (the "Issuer"), and KODIAK CDO I, INC., a corporation incorporated under the laws of the State of Delaware (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), will issue U.S.$338,500,000 Class A-1 First Priority Senior Secured Floating Rate Notes due August 7, 2037 (the "Class A-1 Notes"); U.S.$103,500,000 Class A-2 Second Priority Senior Secured Floating Rate Notes due August 7, 2037 (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes"); U.S.$83,000,000 Class B Third Priority Senior Secured Floating Rate Notes due August 7, 2037 (the "Class B Notes"); U.S.$30,000,000 Class C Fourth Priority Secured Deferrable Floating Rate Notes due August 7, 2037 (the "Class C Notes"); U.S.$13,000,000 Class D-1 Fifth Priority Secured Deferrable Fixed/Floating Rate Notes due August 7, 2037 (the "Class D-1 Notes"); U.S.$5,000,000 Class D-2 Fifth Priority Secured Deferrable Fixed/Floating Rate Notes due August 7, 2037 (the "Class D-2 Notes"); U.S.$29,000,000 Class D-3 Fifth Priority Secured Deferrable Floating Rate Notes due August 7, 2037 (the "Class D-3 Notes" and, together with the Class D-1 Notes and Class D-2 Notes, the "Class D Notes"); U.S.$5,000,000 Class E-1 Sixth Priority Secured Deferrable Fixed/Floating Rate Notes due August 7, 2037 (the "Class E-1 Notes"); U.S.$29,000,000 Class E-2 Sixth Priority Secured Deferrable Floating Rate Notes due August 7, 2037 (the "Class E-2 Notes" and, together with the Class E-1 Notes, the "Class E Notes"); U.S.$7,000,000 Class F Seventh Priority Secured Deferrable Floating Rate Notes due August 7, 2037 (the "Class F Notes") and U.S.$50,000,000 Class G Eighth Priority Secured Deferrable Floating Rate Notes due August 7, 2037 (the "Class G Notes"). The Issuer will also issue U.S.$27,000,000 Class H Ninth Priority Secured Deferrable Floating Rate Notes due August 7, 2037 (the "Class H Notes"). The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes are herein collectively referred to as the "Rated Notes." Concurrently with the issuance of the Rated Notes, the Issuer will issue U.S.$54,700,000 Income Notes Due August 7, 2037 (the "Income Notes"). The Rated Notes and the Income Notes are herein collectively referred to as the "Notes." The Notes will be issued and secured pursuant to an Indenture dated as of September 19, 2006 (the "Indenture"), between the Co-Issuers and JPMorgan Chase Bank, National Association, as trustee (the "Trustee"). On the Closing Date, the Issuer will also issue the Combination Notes (as hereinafter defined). The Notes and Combination Notes being offered hereby are referred to herein as the "Offered Securities." The Collateral (as defined herein) securing the Rated Notes and the Combination Notes (to the extent of the Class H Note Component) will be managed by Kodiak CDO Management LLC, a Delaware limited liability company ("Kodiak CDO Management" or the "Collateral Manager").

It is a condition to the issuance of the Offered Securities that the Class A Notes be rated "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), "AAA" by Fitch, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's" and, together with Standard & Poor's and Fitch, the "Rating Agencies"), that the Class B Notes be rated at least "AA" by Standard & Poor's, "AA" by Fitch and "Aa1" by Moody's, that the Class C Notes be rated at least "AA" by Standard & Poor's, "AA" by Fitch and "Aa3" by Moody's, that the Class D Notes be rated at least "AA-" by Standard & Poor's and "AA-" by Fitch, that the Class E Notes be rated at least "A" by Standard & Poor's and "A" by Fitch, that the Class F Notes be rated at least "BBB+" by Standard & Poor's and "BBB+" by Fitch, that the Class G Notes be rated at least "BBB" by Standard & Poor's and "BBB" by Fitch, that the Class H Notes be rated at least "BB+" by Standard & Poor's and "BB+" by Fitch and that the Combination Notes be rated at least "BB+" by Standard & Poor's. The ratings of the Class A Notes and the Class B Notes from Standard & Poor's and Fitch address the ultimate payment of principal of, and the timely payment of interest on, such Rated Notes. The ratings of the Class A Notes and the Class B Notes from Moody's address the ultimate payment of principal of and interest on such Rated Notes. The ratings of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes from the Rating Agencies address the ultimate payment of principal of and interest on such Rated Notes. The ratings of the Combination Notes from Standard & Poor's address the ultimate receipt of the related Initial Combination Notes Outstanding Balance. The Class H Notes will be designated for trading through PORTAL. Application has been made to the Irish Financial Services Regulatory Authority ("IFSRA") in its capacity as competent authority under Directive 2003/71/EC (the "Prospectus Directive"), for the Offering Circular to be approved. Application has been made to the Irish Stock Exchange for the Notes and Combination Notes to be admitted to the Official List and trading on its regulated market. There can be no assurance that such admission will be granted. Approval (if granted) relates only to the Notes and Combination Notes which are expected to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC (or which are to be offered to the public in any Member State of the European Economic Area). Initially, no application will be made to list the Offered Securities on any other stock exchange.

SEE "RISK FACTORS" IN THIS OFFERING CIRCULAR (THE "OFFERING CIRCULAR") FOR A DESCRIPTION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE OFFERED SECURITIES.

THE PLEDGED ASSETS OF THE ISSUER ARE THE SOLE SOURCE OF PAYMENTS ON THE OFFERED SECURITIES. THE OFFERED SECURITIES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE TRUSTEE, KODIAK CDO MANAGEMENT LLC, BARCLAYS CAPITAL INC., DESCAP SECURITIES, INC. OR ANY OF THEIR RESPECTIVE AFFILIATES.

THE OFFERED SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND NEITHER THE ISSUER NOR THE CO-ISSUER HAS BEEN OR WILL BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THE OFFERED SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE RATED NOTES AND THE COMBINATION NOTES ARE BEING OFFERED HEREBY ONLY (A) TO QUALIFIED PURCHASERS (AS DEFINED FOR PURPOSES OF SECTION 3(c)(7) OF THE 1940 ACT) ("QUALIFIED PURCHASERS") THAT ARE ALSO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A ("RULE 144A") UNDER THE SECURITIES ACT) ("QUALIFIED INSTITUTIONAL BUYERS") IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A AND IN ACCORDANCE WITH ANY OTHER APPLICABLE LAW OR (B) TO CERTAIN NON-U.S. PERSONS (THAT ARE, IN THE CASE OF CLASS H NOTES AND COMBINATION NOTES, ALSO QUALIFIED INSTITUTIONAL BUYERS) OUTSIDE OF THE UNITED STATES IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") AND IN ACCORDANCE WITH ANY OTHER APPLICABLE LAW. THE INCOME NOTES ARE BEING OFFERED HEREBY ONLY (A) TO QUALIFIED PURCHASERS THAT ARE EITHER (x) QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A OR (Y) ACCREDITED INVESTORS AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT ("ACCREDITED INVESTORS"), IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS PROVIDED BY SECTION 4(2) OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY OTHER APPLICABLE LAW, THAT ARE ALSO PERSONS (OTHER THAN ANY RATING ORGANIZATION RATING THE ISSUER'S SECURITIES) INVOLVED IN THE ORGANIZATION OR OPERATION OF THE ISSUER OR AN AFFILIATE, AS DEFINED IN RULE 405 UNDER THE SECURITIES ACT, OF SUCH A PERSON (A "RULE 3a-7 PERSON") AND IN ACCORDANCE WITH ANY OTHER APPLICABLE LAW OR (B) TO CERTAIN NON-U.S. PERSONS THAT ARE ALSO QUALIFIED INSTITUTIONAL BUYERS OR RULE 3a-7 PERSONS OUTSIDE OF THE UNITED STATES IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S AND IN ACCORDANCE WITH ANY OTHER APPLICABLE LAW. EACH PURCHASER OF OFFERED SECURITIES IN MAKING ITS PURCHASE WILL BE REQUIRED TO MAKE OR BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS AS SET FORTH UNDER "TRANSFER RESTRICTIONS." NO TRANSFER OF ANY OFFERED SECURITY MAY BE MADE WHICH WOULD CAUSE THE ISSUER, THE CO-ISSUER OR THE COLLATERAL TO BECOME SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE 1940 ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY OFFERED SECURITIES MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

The Offered Securities are offered by Barclays Capital Inc. and Descap Securities, Inc., as placement agents (the "Placement Agents" and each, a "Placement Agent"), subject to prior sale, when, as and if issued at varying prices to be determined in each case at the time of sale. The Placement Agents reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that a portion of the Offered Securities will be delivered on or about September 19, 2006 (the "Closing Date"), through the facilities of The Depository Trust Company ("DTC") and a portion of the Offered Securities will be delivered in certificated form to the offices of Barclays Capital Inc. against payment therefor in immediately available funds. It is a condition to the issuance of the Offered Securities that all Offered Securities be issued concurrently.

Barclays Capital
Sole Lead Manager and Sole Bookrunner

Descap Securities
Co-Manager

Dated September 27 , 2006

Subject in each case to the Priority of Payments, (a) holders of the Class A-1 Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 0.36%, (b) holders of the Class A-2 Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 0.48%, (c) holders of the Class B Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 0.65%, (d) holders of the Class C Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 0.90%, (e) holders of the Class D-1 Notes will be entitled to receive interest at a fixed rate per annum equal to 6.549%, for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2016, and a floating rate per annum equal to LIBOR plus 1.20% at all times thereafter, (f) holders of the Class D-2 Notes will be entitled to receive interest at a fixed rate per annum equal to 6.425%, for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010, and a floating rate per annum equal to LIBOR plus 1.20% at all times thereafter, (g) holders of the Class D-3 Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 1.20%, (h) holders of the Class E-1 Notes will be entitled to receive interest at a fixed rate per annum equal to 6.721%, for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010, and a floating rate per annum equal to LIBOR plus 1.50% at all times thereafter, (i) holders of the Class E-2 Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 1.50%, (j) holders of the Class F Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 2.20%, (k) holders of the Class G Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 3.50% and (l) holders of the Class H Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 5.00%. See "Description of the Rated Notes—Priority of Payments."

On the Closing Date, the Issuer will issue U.S.$28,000,000 Combination Notes Due August 7, 2037 (the "Combination Notes"), which will be comprised of components representing an aggregate initial principal amount of: U.S$10,000,000 Class H Notes (the "Class H Note Component"), and an aggregate initial notional amount of U.S.$18,000,000 Income Notes (the "Income Note Component"), in each case, pursuant to the Indenture. The Class H Note Component and the Income Note Component are herein collectively referred to as the "Note Components." The original aggregate principal amount of the Notes represented by the Class H Note Component is included in the aggregate principal amount shown above for the Class H Notes and the original aggregate principal amount represented by the Income Note Component is included in the aggregate principal amount shown above for the Income Notes.

Interest on the Rated Notes will be payable in U.S. Dollars quarterly in arrears on each February 7, May 7, August 7 and November 7, commencing February 7, 2007 (each, a "Distribution Date"); *provided*, that (i) the final Distribution Date with respect to the Offered Securities shall be August 7, 2037, and (ii) if any such date is not a Business Day, the relevant Distribution Date will be the next succeeding Business Day. Payments of principal of and interest on the Rated Notes on any Distribution Date will be made if and to the extent that funds are available on such Distribution Date in accordance with the Priority of Payments set forth herein. See "Description of the Rated Notes—Interest" and "Description of the Rated Notes—Principal." The principal of each of the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D-1 Notes, Class D-2 Notes, Class D-3 Notes, Class E-1 Notes, Class E-2 Notes, Class F Notes, Class G Notes and Class H Notes (each, together with the Income Notes, a "Class" of Notes) is payable on each Distribution Date to the extent described therein and is required to be paid by their applicable Stated Maturity, unless redeemed or repaid prior thereto. See "Description of the Rated Notes—Principal."

All of the Class A-1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B Notes are entitled to receive payments *pari passu* among themselves, all of the Class C Notes are entitled to receive payments *pari passu* among themselves, all of the Class D Notes are entitled to receive payments *pari passu* among themselves, all of the Class E Notes are entitled to receive payments *pari passu* among themselves, all of the Class F Notes are entitled to receive payments *pari passu* among themselves, all of the Class G Notes are entitled to receive payments *pari passu* among themselves, all of the Class H Notes are entitled to receive payments *pari passu* among themselves, all of the Combination Notes are entitled to receive payments *pari passu* among themselves and all of the Income Notes are entitled to receive distributions *pari passu* among themselves. Except as otherwise described herein, the relative order of seniority of payment of each Class of Notes on each Distribution Date is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes, *fourth*, Class C Notes, *fifth*, Class D Notes, *pro rata*, *sixth*, Class E Notes, *pro rata*, *seventh*, Class F Notes, *eighth*, Class G Notes, *ninth*, Class H Notes and *tenth*, Income Notes, with (a) each Class of Notes in such list (other than the Income Notes) being "Senior" to each other Class of Notes that follows such Class of Notes in such list *(e.g.*, the Class A-1 Notes are Senior to the Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes, Class H Notes and Income Notes) and (b) each Class of Notes in such list (other than the Class A-1 Notes) being "Subordinate" to each other Class of Notes that precedes such Class of Notes in such list *(e.g.*, the Income Notes are Subordinate to the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes and Class H Notes). No payment of interest on any Class of Rated Notes will be made until all accrued and unpaid interest on the Rated Notes of each Class that is Senior to such Class and that remains outstanding has been paid in full. Except as otherwise described herein, no payment of principal of any Class of Rated Notes will be made until all principal of, and accrued and unpaid interest on, the Rated Notes of each Class that is Senior to such Class and that remains outstanding has been paid in full.

Each holder of a Combination Note will, to the extent of the Class H Note Component, be entitled to the same rights with respect to such Note Component, as if such holder directly held a corresponding Class H Note in a principal amount equal to the amount of such Class H Note Component, and will, to the extent of the Income Note Component, be entitled to the same rights with respect to such Income Note Component as if such holder directly held the principal amount of Income Notes represented by such Income Note Component. Each purchaser of a Combination Note should therefore carefully review each provision of this Offering Circular relating to the Class H Notes and the Income Notes before deciding whether or not to purchase a Combination Note.

The Notes are subject to optional, tax, mandatory and auction call redemption under the circumstances described under "Description of the Rated Notes—Mandatory Redemption," "—Optional Redemption and Tax Redemption," "—Auction Call Redemption," "—Priority of Payments," and "Description of the Income Notes—Redemption."

On each Distribution Date, to the extent funds are available therefor, Interest Proceeds and Principal Proceeds will be released from the lien of the Indenture for distribution to the holders of the Income Notes and the holders of the Combination Notes (to the extent of the Income Note Component thereof) only after the payment of interest and principal, as applicable, on the Rated Notes and certain other amounts in accordance with the Priority of Payments. Any Interest Proceeds and Principal Proceeds permitted to be released from the lien of the Indenture on any Distribution Date in accordance with the Priority of Payments will be distributed to the holders of the Income Notes on such Distribution Date. Distributions (other than certain liquidating distributions described herein) will be made in cash. The Directors of the Issuer currently intend, in the event that the Income Notes are not redeemed at the option of the holders of a majority of the aggregate outstanding principal amount of the Income Notes following the repayment in full of the Rated Notes, to liquidate all of the Issuer's remaining investments in an orderly manner and

distribute the proceeds of such liquidation to the holders of the Income Notes. See "Description of the Income Notes—Distributions."

Rated Notes sold in the United States to Qualified Purchasers that are Qualified Institutional Buyers will be issued in the form of one or more permanent global notes in definitive, fully registered form without interest coupons (the "Restricted Global Rated Notes"), deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee. Interests in Restricted Global Rated Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect Participants. The Rated Notes offered by the Co-Issuers outside the United States will be offered in reliance upon Regulation S under the Securities Act to Non-U.S. Persons ("Regulation S Notes") that are, in the case of the Class H Notes, also Qualified Institutional Buyers and will be represented by one or more global notes ("Regulation S Global Rated Notes") in fully registered form without interest coupons deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee. See "Description of the Rated Notes—Form, Denomination, Registration and Transfer." The Combination Notes offered by the Issuer outside the United States will be offered in reliance upon Regulation S under the Securities Act to Non-U.S. Persons that are also Qualified Institutional Buyers and will be represented by one or more global notes ("Regulation S Combination Notes") in fully registered form without interest coupons deposited with the Trustee as custodian for, and registered in the name of, DTC (or its nominee). Combination Notes offered by the Issuer in the United States in reliance upon an exemption from the registration requirements of the Securities Act ("Restricted Combination Notes") may be issued in the form of one or more permanent global notes in definitive, fully registered form without interest coupons, deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee. See "Description of the Combination Notes—Form, Registration and Transfer." The Income Notes offered by the Issuer outside the United States will be offered in reliance upon Regulation S under the Securities Act to Non-U.S. Persons that are also Qualified Institutional Buyers and will be represented by one or more global notes ("Regulation S Income Notes") in fully registered form without interest coupons deposited with the Trustee as custodian for, and registered in the name of, DTC (or its nominee). Income Notes offered by the Issuer in the United States in reliance upon an exemption from the registration requirements of the Securities Act ("Restricted Income Notes") may be issued in the form of certificated Income Notes in definitive, fully registered form without interest coupons, registered in the name of the legal and beneficial owner thereof (or a nominee acting on behalf of the disclosed legal and beneficial owner thereof). See "Description of the Income Notes—Form, Registration and Transfer."

Each prospective investor (and each employee, representative, or other agent of such prospective investor) may disclose to any and all persons, without limitations of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such tax treatment and tax structure. Any such disclosure of the tax treatment, tax structure and other tax-related materials shall not be made for the purpose of offering to sell the Offered Securities offered hereby or soliciting an offer to purchase any such Offered Securities to the extent such disclosure for such purpose would be in violation of applicable securities laws. For purposes of this paragraph, the terms "tax treatment" and "tax structure" have the meaning given to such terms under Treasury Regulation Section 1.6011-4(c).

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE

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

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

THE OFFERED SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE OFFERED SECURITIES ARE TO BE PURCHASED FOR INVESTMENT ONLY AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED BY AN INVESTOR DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OF U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY OFFERED SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF

THE SECURITIES ACT. FOR CERTAIN RESTRICTIONS ON RESALE, SEE "DESCRIPTION OF THE RATED NOTES—FORM, DENOMINATION, REGISTRATION AND TRANSFER," "DESCRIPTION OF THE INCOME NOTES—FORM, REGISTRATION AND TRANSFER," "DESCRIPTION OF THE COMBINATION NOTES —FORM, DENOMINATION, REGISTRATION AND TRANSFER." A TRANSFER OF OFFERED SECURITIES IS SUBJECT TO THE RESTRICTIONS DESCRIBED HEREIN, INCLUDING THAT NO SALE, PLEDGE, TRANSFER OR EXCHANGE MAY BE MADE OF A OFFERED SECURITY (1) EXCEPT AS PERMITTED UNDER (A) THE SECURITIES ACT PURSUANT TO AN EXEMPTION FROM REGISTRATION AS DESCRIBED HEREIN, (B) APPLICABLE STATE SECURITIES LAWS AND (C) APPLICABLE SECURITIES LAWS OF ANY OTHER JURISDICTION, (2) EXCEPT IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SET FORTH IN THE INDENTURE AND (3) IN A DENOMINATION LESS THAN THE REQUIRED MINIMUM DENOMINATION. THE OFFERED SECURITIES ARE SUBJECT TO FURTHER RESTRICTIONS ON TRANSFER. SEE "TRANSFER RESTRICTIONS."

NONE OF THE ISSUER, THE CO-ISSUER OR THE COLLATERAL HAS BEEN REGISTERED UNDER THE 1940 ACT, BY REASON OF THE EXEMPTION FROM REGISTRATION CONTAINED IN RULE 3a-7 AND/OR SECTION 3(c)(7) THEREOF. NO TRANSFER OF NOTES OR COMBINATION NOTES WHICH WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER, THE CO-ISSUER OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE 1940 ACT WILL BE PERMITTED. ANY TRANSFER OF A DEFINITIVE NOTE MAY BE EFFECTED ONLY ON THE NOTE REGISTER MAINTAINED BY THE NOTE REGISTRAR PURSUANT TO THE INDENTURE. ANY TRANSFER OF AN INTEREST IN A RESTRICTED INCOME NOTE, A RESTRICTED GLOBAL RATED NOTE, A RESTRICTED COMBINATION NOTE, A REGULATION S GLOBAL RATED NOTE, A REGULATION S COMBINATION NOTE OR A REGULATION S INCOME NOTE WILL BE SHOWN ON, AND TRANSFERS THEREOF WILL BE EFFECTED ONLY THROUGH, RECORDS MAINTAINED BY DTC AND ITS DIRECT AND INDIRECT PARTICIPANTS (INCLUDING, IN THE CASE OF REGULATION S GLOBAL RATED NOTES AND REGULATION S INCOME NOTES, EUROCLEAR AND CLEARSTREAM, LUXEMBOURG).

EACH PURCHASER AND TRANSFEREE OF A CLASS A NOTE, CLASS B NOTE, CLASS C NOTE CLASS D NOTE, CLASS E NOTE, CLASS F NOTE OR CLASS G NOTE (OR AN INTEREST IN ANY OF THE FOREGOING) WILL BE DEEMED TO REPRESENT AND WARRANT EITHER THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE ACTING ON BEHALF OF), AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), WHICH IS SUBJECT TO TITLE I OF ERISA, A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY WHICH IS DEEMED TO HOLD PLAN ASSETS OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN EMPLOYEE BENEFIT PLAN OR PLAN IN SUCH ENTITY OR A FOREIGN, CHURCH OR GOVERNMENTAL PLAN WHICH IS SUBJECT TO ANY APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE, OWNERSHIP AND DISPOSITION OF SUCH NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A FOREIGN, CHURCH OR GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

EACH PURCHASER AND TRANSFEREE OF A CLASS H NOTE (OR AN INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE ACTING ON BEHALF OF), AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE CODE OR AN ENTITY WHICH IS DEEMED TO HOLD PLAN ASSETS OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN EMPLOYEE BENEFIT PLAN OR PLAN IN SUCH ENTITY (INCLUDING, WITHOUT LIMITATION, CERTAIN INSURANCE COMPANY GENERAL ACCOUNTS) (EACH OF THE FOREGOING, A "BENEFIT PLAN INVESTOR").

EACH PURCHASER AND TRANSFEREE OF A COMBINATION NOTE (OR AN INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE ACTING ON BEHALF OF), (A) A BENEFIT PLAN INVESTOR OR (B) ANY OTHER PERSON THAT HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101(F)(3)) OF ANY SUCH PERSON (EACH, A "CONTROLLING PERSON").

THE ACQUISITION BY AN INITIAL PURCHASER OF AN INCOME NOTE (OR AN INTEREST THEREIN) BY, OR ON BEHALF OF, OR WITH THE ASSETS OF (A) A BENEFIT PLAN INVESTOR OR (B) A CONTROLLING PERSON WILL NOT BE EFFECTIVE, AND THE ISSUER WILL NOT RECOGNIZE SUCH ACQUISITION, IF SUCH ACQUISITION WOULD RESULT IN (A) BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE INCOME NOTES (INCLUDING THE INCOME NOTE COMPONENT OF ANY COMBINATION NOTE) (IN EACH CASE DETERMINED PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AND SECTION 3(42) OF ERISA) OR (B) A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE.

NO TRANSFEREE OF AN INCOME NOTE MAY BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH INITIAL PURCHASER OF AN INCOME NOTE (OR AN INTEREST THEREIN) REPRESENTS, WARRANTS AND COVENANTS THAT IT WILL NOT TRANSFER SUCH INCOME NOTE WITHOUT PROVIDING THE TRUSTEE WITH A WRITTEN CERTIFICATION FOR THE BENEFIT OF THE TRUSTEE AND THE ISSUER FROM THE TRANSFEREE THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH INCOME NOTE WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH INCOME NOTE WILL NOT BE ACTING ON BEHALF OF), A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND THAT SUCH TRANSFEREE WILL OBTAIN THE SAME REPRESENTATION, WARRANTY AND COVENANT FROM ITS TRANSFEREE.

EACH PURCHASER AND TRANSFEREE OF A CLASS H NOTE, COMBINATION NOTE OR INCOME NOTE (OR AN INTEREST IN ANY OF THE FOREGOING) THAT IS A FOREIGN, CHURCH OR GOVERNMENTAL PLAN WILL BE DEEMED TO REPRESENT AND WARRANT THAT ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE (OR INTEREST THEREIN) WILL NOT RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER, OR A VIOLATION OF, ANY APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO ERISA OR SECTION 4975 OF THE CODE.

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

This Offering Circular has been prepared by the Co-Issuers solely for use in connection with the offering of the Offered Securities described herein (the "Offering") and for listing purposes. The Co-Issuers accept responsibility for the information contained in this Offering Circular (excluding the information appearing in the section "The Collateral Manager"). To the best of the knowledge and belief of the Co-Issuers the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The Co-Issuers accept responsibility accordingly. The Co-Issuers disclaim any obligation to update such information and do not intend to do so. None of the Placement Agents, the Hedge Counterparty or any of their respective affiliates makes any representation or warranty as to, nor has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein. Neither the Collateral Manager nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein other than the material accuracy and completeness of the information appearing in the section "The Collateral Manager." The Collateral Manager disclaims any obligation to update such information and does not intend to do so. Nothing contained in this Offering Circular is or should be relied upon as a promise or representation as to future results or events. The Trustee has not participated in the preparation of this Offering Circular and assumes no responsibility for its contents.

This Offering Circular contains summaries of certain documents. The summaries do not purport to be complete and are qualified in their entirety by reference to such documents, copies of which will be made available to offerees upon request. Requests and inquiries regarding this Offering Circular or such documents should be directed to Barclays Capital Inc., 200 Park Avenue, New York, New York 10166, Attention: Global Credit Structured Products Group. Copies of such documents may also be obtained free of charge from RSM Robson Rhodes LLP in its capacity as Irish paying agent located in Dublin, Ireland (in such capacity, the "Irish Paying Agent").

The Co-Issuers will make available to any offeree of the Offered Securities, prior to the issuance thereof, the opportunity to ask questions of and to receive answers from the Co-Issuers or a person acting on their behalf concerning the terms and conditions of the Offering, the Co-Issuers or any other relevant matters and to obtain any additional information to the extent the Co-Issuers possess such information or can obtain it without unreasonable expense.

Each purchaser of a Rated Note or Combination Note offered and sold in the United States will be required (or, in certain circumstances, deemed) to represent to the Co-Issuers and the Placement Agents that it is a Qualified Purchaser that is also a Qualified Institutional Buyer purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A. Each purchaser of an Income Note offered and sold in the United States will be required in an investor application form (in the case of the initial purchase of Income Notes only) or a transfer certificate to represent to the Co-Issuers and the Placement Agents that it is a Qualified Purchaser that is also either (x) a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A or (y) an

Accredited Investor, in reliance on the exemption from the registration requirements provided by Section 4(2) of the Securities Act and in accordance with any other applicable law, that is also a person (other than any rating organization rating the Issuer's securities) involved in the organization or operation of the Issuer or an affiliate, as defined in Rule 405 under the Securities Act, of such a person (a "Rule 3a-7 Person"). Each purchaser of an Offered Security offered and sold in reliance on Regulation S will be required (or, in certain circumstances, deemed) to represent to the Co-Issuers and the Placement Agents that it is not a U.S. Person, as such term is defined in Regulation S (a "U.S. Person") that, in the case of the Class H Notes and Combination Notes, is a Qualified Institutional Buyer, and that is acquiring the Note in an offshore transaction in accordance with Regulation S, for its own account and not for the account or benefit of a U.S. Person. Each purchaser of an Income Note offered and sold in reliance on Regulation S will be required (or, in certain circumstances, deemed) to represent to the Co-Issuers and the applicable Placement Agent that it is not a U.S. Person, is a Qualified Institutional Buyer or a Rule 3a-7 Person and is acquiring the Income Note in an offshore transaction in accordance with Regulation S, for its own account and not for the account or benefit of a U.S. Person. Each purchaser of Offered Securities will also be required (or, in certain circumstances, be deemed) to acknowledge that the Offered Securities have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (a) to (i) a transferee that is a Qualified Purchaser and a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A or (ii) to a Non-U.S. Person that is, in the case of Class H Notes and Combination Notes, also a Qualified Institutional Buyer or, in the case of Income Notes only, a Qualified Institutional Buyer or a Rule 3a-7 Person, acquiring the Rated Notes or Income Notes, as the case may be, in an offshore transaction in accordance with Regulation S, for its own account and not for the account or benefit of a U.S. Person, (b) in compliance with the certification and other requirements set forth in the Indenture and (c) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Each purchaser of the Income Notes will also be required (or, in certain circumstances, be deemed) to acknowledge that the Income Notes have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (a) to (i) a U.S. Person that is a Qualified Purchaser and (x) a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A or (y) an Accredited Investor in a transaction exempt from registration under the Securities Act, subject to the delivery of such certification, legal opinions or other information as the Issuer may require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, that is also a Rule 3a-7 Person, or (ii) to a Non-U.S. Person that is also a Qualified Institutional Buyer or a Rule 3a-7 Person acquiring the Income Note in an offshore transaction in accordance with Regulation S, for its own account and not for the account or benefit of a U.S. Person, (b) in compliance with the certification and other requirements set forth in the Indenture and (c) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Without limiting the foregoing, each initial purchaser of an interest in a Regulation S Income Note, Restricted Income Note, Restricted Combination Note or Regulation S Combination Note will be required to execute and deliver to the Issuer and the Trustee a letter in the form attached as an exhibit to the Indenture to the effect that such initial purchaser will not transfer such interest except in compliance with the transfer restrictions set forth in the Indenture (including the requirement that any subsequent transferee execute and deliver such letter). For a description of these and certain other restrictions on offers and sales of the Offered Securities and distribution of this Offering Circular, see "Transfer Restrictions."

Although any of the Placement Agents may from time to time make a market in any of the Offered Securities, neither of the Placement Agents is under any obligation to do so. In the event that any of the Placement Agents elects to commence any such market-making, it may discontinue such market-making

at any time. There can be no assurance that a secondary market for any of the Offered Securities will develop, or if a secondary market does develop, that it will provide the holders of the Offered Securities with liquidity of investment or that it will continue for the life of such Class of Offered Securities.

INTERNAL REVENUE SERVICE CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY PROSPECTIVE INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE ISSUER AND THE PLACEMENT AGENTS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

THIS OFFERING CIRCULAR IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT INTENDED TO BE RELIED UPON ALONE AS THE BASIS FOR AN INVESTMENT DECISION. IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CO-ISSUERS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED AND MUST NOT RELY UPON INFORMATION PROVIDED BY OR STATEMENTS MADE BY THE PLACEMENT AGENTS, THE COLLATERAL MANAGER OR ANY OF THEIR RESPECTIVE AFFILIATES. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE OFFERED SECURITIES FOR AN INDEFINITE PERIOD OF TIME.

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

THE CONTENTS OF THIS OFFERING CIRCULAR ARE NOT TO BE CONSTRUED AS LEGAL, ACCOUNTING, BUSINESS OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN ATTORNEY, ACCOUNTANT, BUSINESS ADVISOR AND TAX ADVISOR AS TO LEGAL, ACCOUNTING, BUSINESS AND TAX ADVICE.

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

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

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

NOTICE TO INVESTORS IN THE UNITED KINGDOM

THE PLACEMENT AGENTS AND THE CO-ISSUERS:

1 HAVE NOT OFFERED OR SOLD AND PRIOR TO THE DATE SIX MONTHS AFTER THE ISSUE OF THE OFFERED SECURITIES WILL NOT OFFER OR SELL ANY OFFERED SECURITIES 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;

2 HAVE ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED AND WILL ONLY COMMUNICATE OR CAUSE TO BE COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA")) RECEIVED BY THEM IN CONNECTION WITH THE ISSUE OR SALE OF ANY OFFERED SECURITIES IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE CO-ISSUERS; AND

3 HAVE COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY THEM IN RELATION TO THE OFFERED SECURITIES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

NOTICE TO RESIDENTS OF THE NETHERLANDS

THE OFFERED SECURITIES MAY BE OFFERED, SOLD, TRANSFERRED OR DELIVERED IN OR FROM THE NETHERLANDS AS PART OF THEIR INITIAL DISTRIBUTION OR AT ANY TIME THEREAFTER, DIRECTLY OR INDIRECTLY, EXCLUSIVELY TO INDIVIDUALS OR ENTITIES, WHO OR WHICH TRADE OR INVEST IN SECURITIES IN THE CONDUCT OF A PROFESSION OR A BUSINESS WITHIN THE MEANING OF ARTICLE 1 OF THE REGULATION OF 9 OCTOBER 1990 ISSUED PURSUANT TO ARTICLE 14 OF THE ACT ON THE SUPERVISION OF INVESTMENT INSTITUTIONS (WET TOEZICHT BELEGGINGSINSTELLINGEN), WHICH INCLUDES BANKS, PENSION FUNDS, INSURANCE COMPANIES, SECURITIES FIRMS, INVESTMENT INSTITUTIONS, CENTRAL GOVERNMENTS, LARGE INTERNATIONAL AND SUPRANATIONAL INSTITUTIONS AND OTHER COMPARABLE ENTITIES, INCLUDING TREASURIES AND FINANCE COMPANIES OF LARGE ENTERPRISES, WHICH TRADE OR INVEST IN SECURITIES IN THE CONDUCT OF A PROFESSION OR A BUSINESS.

NOTICE TO RESIDENTS OF GERMANY

THE OFFERED SECURITIES WILL NOT BE OFFERED OR SOLD IN THE FEDERAL REPUBLIC OF GERMANY OTHER THAN IN ACCORDANCE WITH THE GERMAN SECURITIES

PROSPECTUS ACT OF JUNE 22, 2005 OF THE FEDERAL REPUBLIC OF GERMANY, AS AMENDED (*WERTPAPIERPROSPEKTGESETZ*), GERMAN SECURITIES SALES PROSPECTUS ACT OF SEPTEMBER 9, 1998 OF THE FEDERAL REPUBLIC OF GERMANY, AS AMENDED (*WERTPAPIERVERKAUFSPROSPEKTGESETZ*), THE GERMAN INVESTMENT ACT OF DECEMBER 15, 2003 OF THE FEDERAL REPUBLIC OF GERMANY, AS AMENDED (*INVESTMENTGESETZ*) AND ANY OTHER LEGAL OR REGULATORY REQUIREMENTS APPLICABLE IN THE FEDERAL REPUBLIC OF GERMANY GOVERNING THE ISSUE, OFFER AND SALE OF SECURITIES. UPON THE REQUEST OF A GERMAN INVESTOR, THE ISSUER WILL (I) MAKE AVAILABLE TO THE GERMAN INVESTORS THE INFORMATION REQUIRED PURSUANT TO § 5 (1) SENTENCE 1 NOS. 1 AND 2 IN CONNECTION WITH SENTENCE 2, § 5 (1) SENTENCE 1 NO. 4 AND § 5 (3) SENTENCE 1 OF THE *INVESTMENTSTEUERGESETZ* (THE "GERMAN INVESTMENT TAX ACT"), (II) FURNISH TO THE GERMAN FEDERAL TAX OFFICE (*BUNDESAMT FÜR FINANZEN*) UPON ITS REQUEST WITHIN THREE-MONTHS PROOF OF THE CORRECTNESS OF THE INFORMATION REFERRED TO UNDER CLAUSE (I) ABOVE IN ACCORDANCE WITH § 5 (1) SENTENCE 1 NO. 5 OF THE GERMAN INVESTMENT TAX ACT AND (III) MAKE THE PUBLICATION IN THE ELECTRONIC EDITION OF THE FEDERAL GAZETTE (*ELEKTRONISCHER BUNDESANZEIGER*) REQUIRED PURSUANT TO § 5 (1) SENTENCE 1 NO. 3 OF THE GERMAN INVESTMENT TAX ACT IN THE GERMAN LANGUAGE. ALL PROSPECTIVE GERMAN INVESTORS ARE URGED TO SEEK INDEPENDENT TAX ADVICE. THE INITIAL PURCHASER DOES NOT GIVE TAX ADVICE.

NOTICE TO RESIDENTS OF FRANCE

THE OFFERED SECURITIES ARE *ORGANISMES DE PLACEMENTS COLLECTIFS EN VALEURS MOBILIÈRES* ISSUED BY A RESIDENT OF A NON-EC STATE. ACCORDINGLY, PURSUANT TO THE PROVISIONS OF DECREE NO. 89-624 OF 6 SEPTEMBER 1989, THE OFFERED SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN FRANCE WITHOUT THE PRIOR APPROVAL OF THE FRENCH MINISTRY OF FINANCE.

EACH OF THE CO-ISSUERS AND EACH OF THE PLACEMENT AGENTS REPRESENTS AND AGREES THAT IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL, DIRECTLY OR INDIRECTLY, ANY OF THE OFFERED SECURITIES BY WAY OF A PUBLIC OFFERING IN FRANCE (AN *APPEL PUBLIC À L'ÈPARGNE*, AS DEFINED IN ARTICLE 61 OF *ORDONNANCE* NO. 67-883 OF 28 SEPTEMBER 1967, AS AMENDED BY LAW NO. 98 - 546 OF 2 JULY 1998).

NOTICE TO RESIDENTS OF SWEDEN

THE RIGHT TO PURCHASE THE OFFERED SECURITIES DESCRIBED IN THIS DOCUMENT IS OFFERED TO A LIMITED AND PERSONALLY INVITED CIRCLE OF POTENTIAL INVESTORS ONLY. THE INVITED INVESTORS ARE NOT ALLOWED TO ASSIGN OR OTHERWISE TRANSFER THEIR OFFERED RIGHT TO SUBSCRIBE FOR THE OFFERED SECURITIES.

THE ISSUE OF THE OFFERED SECURITIES DESCRIBED IN THIS DOCUMENT IS NOT MADE TO THE PUBLIC IN SWEDEN AND IS THEREFORE NOT ENCOMPASSED BY THE PROSPECTUS REGULATIONS IN THE SWEDISH FINANCIAL INSTRUMENTS TRADING ACT (LAG 1991:980 OM HANDEL MED FINANSIELLA INSTRUMENT). THIS DOCUMENT HAS NOT BEEN SUBMITTED FOR APPROVAL BY OR REGISTRATION WITH THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY (FINANSINSPEKTIONEN).

NOTICE TO RESIDENTS OF THE REPUBLIC OF IRELAND

THIS OFFERING CIRCULAR IS NOT A PROSPECTUS AND DOES NOT CONSTITUTE AN INVITATION TO THE PUBLIC TO PURCHASE OR SUBSCRIBE FOR ANY OFFERED SECURITIES AND NEITHER IT NOR ANY FORM OF APPLICATION WILL BE ISSUED, CIRCULATED OR DISTRIBUTED TO THE PUBLIC.

THIS OFFERING CIRCULAR AND THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL AND IS FOR THE USE SOLELY OF THE PERSON TO WHOM IT IS ADDRESSED. ACCORDINGLY, IT MAY NOT BE REPRODUCED IN WHOLE OR IN PART, NOR MAY ITS CONTENTS BE DISTRIBUTED IN WRITING OR ORALLY TO ANY THIRD PARTY AND IT MAY BE READ SOLELY BY THE PERSON TO WHOM IT IS ADDRESSED AND HIS/HER PROFESSIONAL ADVISORS.

NOTICE TO RESIDENTS OF PORTUGAL

THE OFFERING OF THE OFFERED SECURITIES HAS NOT AND WILL NOT BE REGISTERED UNDER THE PORTUGUESE SECURITIES CODE AS A PUBLIC OFFERING. NO OFFER OR SALE OF THE OFFERED SECURITIES MAY BE MADE IN PORTUGAL EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH THE APPLICABLE LAWS THEREOF.

NOTICE TO RESIDENTS OF AUSTRIA

THIS OFFERING CIRCULAR HAS BEEN PRODUCED FOR THE SOLE PURPOSE OF PROVIDING INFORMATION ABOUT THE OFFERED SECURITIES TO A LIMITED NUMBER OF SOPHISTICATED INVESTORS IN AUSTRIA. THIS MEMORANDUM IS MADE AVAILABLE ON THE CONDITION THAT IT IS FOR THE USE ONLY BY RECIPIENTS AS A SOPHISTICATED POTENTIAL AND INDIVIDUALLY SELECTED INVESTOR AND MAY NOT BE PASSED ON TO ANY OTHER PERSON OR REPRODUCED IN WHOLE OR PART. THIS DOES NOT CONSTITUTE A PUBLIC OFFER (ÖFFENTLICHES ANGEBOT) IN AUSTRIA AND MUST NOT BE USED TOGETHER WITH A PUBLIC OFFER IN AUSTRIA, AND, THEREFORE, THE PROVISIONS OF THE INVESTMENT FUND ACT OF 1993 (INVESTMENTFONDSGESETZ 1993) DO NOT APPLY. CONSEQUENTLY, NO PUBLIC OFFERS OR PUBLIC SALES MUST BE MADE IN AUSTRIA IN RESPECT OF THE OFFERED SECURITIES. THE OFFERED SECURITIES ARE NOT REGISTERED IN AUSTRIA. AUSTRIAN INVESTORS THUS WILL NOT BENEFIT FROM A MORE ADVANTAGEOUS TAX REGIME APPLICABLE TO REGISTERED UNITS IN A COLLECTIVE INVESTMENT SCHEME. ALL PROSPECTIVE INVESTORS ARE THEREFORE URGED TO SEEK INDEPENDENT TAX ADVICE. BARCLAYS CAPITAL INC., DESCAP SECURITIES, INC. AND THEIR RESPECTIVE AFFILIATES DO NOT GIVE TAX ADVICE.

[THE FOLLOWING IS A GERMAN TRANSLATION OF THE PRECEDING PARAGRAPH]
INFORMATIONEN FÜR EINWOHNER VON ÖSTERREICH

DIESES MEMORANDUM WURDE EINZIG ZU DEM ZWECK ERSTELLT, EINER BESCHRÄNKTEN ANZAHL VON PROFESSIONELLEN INVESTOREN IN ÖSTERREICH INFORMATIONEN ÜBER DIE PARTIZIPIERENDEN INVESTMENTANTEILE ZU GEBEN. DIESES MEMORANDUM WIRD UNTER DER BEDINGUNG ZUR VERFÜGUNG GESTELLT, DASS ES AUSSCHLIESSLICH VOM EMPFÄNGER, ALS PROFESSIONELLEN POTENTIELLEN UND INDIVIDUELL AUSGESUCHTEN INVESTOR VERWENDET WIRD. ES DARF NICHT AN IRGENDWELCHE ANDEREN PERSONEN WEITERGELEITET WERDEN ODER TEILWEISE

ODER IM GANZEN REPRODUZIERT WERDEN. DIESES MEMORANDUM STELLT KEIN ÖFFENTLICHES ANGEBOT IN ÖSTERREICH DAR. ES DARF AUCH NICHT IM ZUSAMMENHANG MIT EINEM ÖFFENTLICHEN ANGEBOT VERWENDET WERDEN. DIE BESTIMMUNGEN DES INVESTMENTFONDSGESETZES 1993 FINDEN DAHER HIERAUF KEINE ANWENDUNG. FOLGLICH DÜRFEN IN ÖSTERREICH KEINE ÖFFENTLICHEN ANGEBOTE ODER ÖFFENTLICHEN VERKÄUFE IM ZUSAMMENHANG MIT DEN PARTIZIPIERENDEN INVESTMENTANTEILEN GEMACHT WERDEN. DIE PARTIZIPIERENDEN INVESTMENTANTEILE SIND NICHT IN ÖSTERREICH ZUM ÖFFENTLICHEN ANGEBOT ZUGELASSEN. ÖSTERREICHISCHE INVESTOREN KÖNNEN DAHER NICHT VON DEN VORTEILHAFTEREN STEUERREGELN IN BEZUG AUF REGISTRIERTE ANTEILE AN KAPITALANLAGEGESELLSCHAFTEN PROFITIEREN. ALLE POTENTIELLEN INVESTOREN WERDEN DAHER DRINGEND AUFGEFORDERT, UNABHÄNGIGE STEUERBERATUNG EINZUHOLEN. BARCLAYS CAPITAL INC. UND IHRE KONZERNGESELLSCHAFTEN GEBEN KEINE STEUERBERATUNG.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

SECTION 194 OF THE COMPANIES LAW (2004 REVISION) OF THE CAYMAN ISLANDS PROVIDES THAT AN EXEMPTED COMPANY (SUCH AS THE ISSUER) THAT IS NOT LISTED ON THE CAYMAN ISLANDS STOCK EXCHANGE IS PROHIBITED FROM MAKING ANY INVITATION TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR ANY OF ITS SECURITIES. EACH PURCHASER OF THE SECURITIES AGREES THAT NO INVITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THE SECURITIES.

NOTICE TO RESIDENTS OF AUSTRALIA

ANY OFFER OF SECURITIES, INVITATION TO SUBSCRIBE FOR SECURITIES OR ISSUE OF THE SECURITIES IN AUSTRALIA THAT IS REGULATED BY THE CORPORATIONS LAW MUST CONSTITUTE AN EXCLUDED OFFER, EXCLUDED INVITATION, OR EXCLUDED ISSUE WITHIN THE MEANING GIVEN TO THOSE EXPRESSIONS IN THE CORPORATIONS LAW.

NOTICE TO INVESTORS IN HONG KONG

EACH INVESTOR WILL AGREE TO SUBSCRIBE FOR THE OFFERED SECURITIES DESCRIBED IN THIS OFFERING CIRCULAR ON THE CONDITION THAT, UPON ITS SUBSCRIPTION FOR THE OFFERED SECURITIES, IT HAS THE PRESENT INTENTION OF HOLDING THE OFFERED SECURITIES TO MATURITY, IT WILL NOT, IN ANY EVENT, RESELL ANY SUCH OFFERED SECURITIES WITHIN SIX MONTHS OF THE DATE OF THEIR ISSUANCE AND THAT IT WILL NOT SELL ANY SUCH OFFERED SECURITIES OTHER THAN TO PERSONS WHOM IT REASONABLY BELIEVES (AND WHO HAVE CONFIRMED THE SAME TO IT IN WRITING) TO HAVE THE PRESENT INTENTION OF HOLDING SUCH OFFERED SECURITIES TO MATURITY AND WHO HAVE CONFIRMED TO IT IN WRITING THAT THEY WILL NOT RESELL ANY SUCH OFFERED SECURITIES WITHIN SIX MONTHS OF THE DATE OF THEIR ISSUANCE.

NOTICE TO INVESTORS IN JAPAN

THE OFFERED SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES AND EXCHANGE LAW OF JAPAN. NEITHER THE OFFERED SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO OR FOR THE ACCOUNT OF

ANY RESIDENT OF JAPAN (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT IN JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN), OR TO OTHERS FOR RE-OFFERING OR SALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO A RESIDENT OF JAPAN EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE SECURITIES AND EXCHANGE LAW AND ANY OTHER APPLICABLE LAW, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

GENERAL RESTRICTIONS

EACH PURCHASER OF THE OFFERED SECURITIES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS SUCH OFFERED SECURITIES AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE PURCHASE, OFFER OR SALE BY IT OF SUCH SECURITIES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE ISSUER, THE CO-ISSUER, THE COLLATERAL MANAGER OR THE PLACEMENT AGENTS SHALL HAVE ANY RESPONSIBILITY THEREFOR.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with sales of the Offered Securities, the Co-Issuers (or, in the case of the Class H Notes, the Income Notes and the Combinations Notes, the Issuer) will be required to furnish, upon request of a holder of a Note or Combination Note to such holder and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer and the Co-Issuer, as applicable, is not a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. Such information may be obtained from the Trustee or, if and for so long as any Notes or Combination Notes are listed on the Irish Stock Exchange, the Irish Paying Agent located in Dublin, Ireland. It is not contemplated that either the Issuer or the Co-Issuer will be such a reporting company or so exempt.

Upon receipt or completion, the Issuer shall supply to Intex Solutions, Inc. and The Bond Market Association certain monthly and quarterly reports prepared in accordance with the Indenture.

FORWARD-LOOKING STATEMENTS

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

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

Principal Proceeds from the Collateral Debt Securities (particularly prior to the Ramp-Up Completion Date), defaults under Collateral Debt Securities, the availability of Collateral Debt Securities for purchase prior to the Ramp-Up Completion Date and the terms thereof, the effectiveness of the Hedge Agreements and whether or not the Issuer enters into additional Hedge Agreements after the Closing Date, among others. In addition, after the Closing Date and prior to the Ramp-Up Completion Date, while the Issuer will be permitted to purchase additional Collateral Debt Securities, the ability of the Issuer to purchase Collateral Debt Securities will be limited such that the Issuer will be able to purchase Collateral Debt Securities only as permitted under the Indenture and, if the Issuer is unable to effect such purchases in accordance with the terms of the Indenture, the Issuer will not be authorized to purchase any additional Collateral Debt Securities. Consequently, the inclusion of projections herein should not be regarded as a representation by the Co-Issuers, the Collateral Manager, the Trustee, the Placement Agents or any of their respective affiliates or any other person or entity of the results that will actually be achieved.

None of the Issuer, the Co-Issuer, the Collateral Manager, the Placement Agents 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 prove not to be accurate.

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SUMMARY OF TERMS

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Circular. A glossary of certain defined terms used herein (the "Glossary") appears as Annex A to this Offering Circular, and an index of certain defined terms used herein appears as Annex B hereto.

The Issuer:

Kodiak CDO I, Ltd. (the "Issuer") is an exempted company with limited liability incorporated under The Companies Law (2004 Revision) of the Cayman Islands pursuant to the Issuer Charter. The Issuer has no prior operating history. The entire share capital of the Issuer consists of 1,000 ordinary shares, par value U.S.$1.00 per share, a portion of which will be held in trust for charitable purposes by Walkers SPV Limited (the "Share Trustee") in the Cayman Islands under the terms of a declaration of trust and the remainder of which will be held by an affiliate of the Collateral Manager. The Indenture and the Issuer Charter will provide that the activities of the Issuer are limited to (1) investing in and disposing of Collateral Debt Securities and Eligible Investments and entering into and performing all appropriate agreements and instruments in connection therewith, (2) entering into and performing its obligations under the Indenture, the Collateral Management Agreement, the Hedge Agreements, the Collateral Administration Agreement, the Placement Agreement and all other related agreements and instruments, (3) issuing and selling the Offered Securities, (4) pledging the Collateral as security for its obligations in respect of the Rated Notes and to the extent of the Class H Note Component, the Combination Notes, and otherwise for the benefit of the Secured Parties, (5) owning and managing the Co-Issuer, (6) conducting any business or activity incidental and necessary to the foregoing and paying the expenses of the Issuer incurred in the ordinary course of its business otherwise permitted under the Indenture, and (7) doing or performing any action or thing which is required by or ancillary to the attainment of the objects specified in clauses (1) to (6) above, including supplementing or restructuring the transactions contemplated by the objects specified in clauses (1) to (6) above or any of the agreements, deeds or other documents entered into by the Issuer pursuant thereto, and entering into further agreements, understandings and contracts and executing certificates, affidavits, notices and any other documentation in respect of the transactions contemplated by the objects specified in clauses (1) to (6) above.

The Issuer will not have any material assets other than the Collateral Debt Securities, Eligible Investments, rights under the Hedge Agreements and under certain other agreements entered into as described herein and certain accounts and cash amounts. These assets will be the only source of funds available to make payments on the Offered Securities.

The Co-Issuer:	Kodiak CDO I, Inc., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), was incorporated for the sole purpose of co-issuing the Rated Notes other than the Class H Notes. The entire authorized share capital of the Co-Issuer is owned by the Issuer. The Co-Issuer will not have any assets (other than the proceeds of its issued common stock, being U.S.$1,000) and will not pledge any assets to secure the Rated Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities held by the Issuer and will have no claim against the Issuer in respect of the Collateral Debt Securities or otherwise.
Offered Securities:	U.S.$338,500,000 aggregate principal amount Class A-1 First Priority Senior Secured Floating Rate Notes due August 7, 2037 (the "Class A-1 Notes"). U.S.$103,500,000 aggregate principal amount Class A-2 Second Priority Senior Secured Floating Rate Notes due August 7, 2037 (the "Class A-2 Notes"). U.S.$83,000,000 aggregate principal amount Class B Third Priority Senior Secured Floating Rate Notes due August 7, 2037 (the "Class B Notes"). U.S.$30,000,000 aggregate principal amount Class C Fourth Priority Secured Deferrable Floating Rate Notes due August 7, 2037 (the "Class C Notes"). U.S.$13,000,000 aggregate principal amount Class D-1 Fifth Priority Secured Deferrable Fixed/Floating Rate Notes due August 7, 2037 (the "Class D-1 Notes"). U.S.$5,000,000 aggregate principal amount Class D-2 Fifth Priority Secured Deferrable Fixed/Floating Rate Notes due August 7, 2037 (the "Class D-2 Notes"). U.S.$29,000,000 aggregate principal amount Class D-3 Fifth Priority Secured Deferrable Floating Rate Notes due August 7, 2037 (the "Class D-3 Notes"). U.S.$5,000,000 aggregate principal amount Class E-1 Sixth Priority Secured Deferrable Fixed/Floating Rate Notes due August 7, 2037 (the "Class E-1 Notes"). U.S.$29,000,000 aggregate principal amount Class E-2 Sixth Priority Secured Deferrable Floating Rate Notes due August 7, 2037 (the "Class E-2 Notes").

U.S.$7,000,000 aggregate principal amount Class F Seventh Priority Secured Deferrable Floating Rate Notes due August 7, 2037 (the "Class F Notes").

U.S.$50,000,000 aggregate principal amount Class G Eighth Priority Secured Deferrable Floating Rate Notes due August 7, 2037 (the "Class G Notes").

U.S.$27,000,000 aggregate principal amount Class H Ninth Priority Secured Deferrable Floating Rate Notes due August 7, 2037 (the "Class H Notes").

Concurrently with the issuance of the Rated Notes, the Issuer will issue U.S.$54,700,000 aggregate principal amount of Income Notes due August 7, 2037 (the "Income Notes") pursuant to the Indenture.

The Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes and Class H Notes are collectively referred to herein as the "Rated Notes." The Rated Notes and the Income Notes are collectively referred to herein as the "Notes."

On the Closing Date, the Issuer will issue U.S.$28,000,000 Combination Notes Due August 7, 2037 (the "Combination Notes"), which will be comprised of components representing an aggregate initial principal amount of: U.S.$10,000,000 Class H Notes (the "Class H Note Component"), and U.S.$18,000,000 Income Notes (the "Income Note Component" and together with the Class H Note Component, the "Note Components"), pursuant to the Indenture.

The Rated Notes, Income Notes and Combination Notes being offered hereby are referred to herein as the "Offered Securities."

The Collateral (as defined herein) securing the Rated Notes and the Combination Notes (to the extent of the Class H Note Component) will be managed by Kodiak CDO Management LLC, a Delaware limited liability company ("Kodiak CDO Management" or the "Collateral Manager").

The Offered Securities will be issued pursuant to an Indenture dated as of September 19, 2006 (the "Indenture"), among the Issuer, the Co-Issuer and JPMorgan Chase Bank, National Association, a national banking association, as trustee (in such capacity, together with its permitted successors in such capacity, the "Trustee"). The Hedge Counterparty will be an express third party beneficiary of the Indenture. The Rated Notes will be non-recourse obligations of the Co-Issuers (or, in the case of the Class H Notes, of the Issuer only), secured solely by a pledge of the Collateral by the Issuer to the Trustee pursuant to the

	Indenture for the benefit of the holders from time to time of the Rated Notes, the holders from time to time of the Combination Notes (with respect to the Class H Note Component), the Collateral Manager, the Trustee, the Collateral Administrator and the Hedge Counterparty (collectively, the "Secured Parties"). The Income Notes (including the Income Note Component) will be non-recourse obligations of the Issuer and will not be secured by a pledge of Collateral. See "Description of the Rated Notes—Status and Security," "Description of the Income Notes" and "Description of the Combination Notes." The Offered Securities are payable solely from the Collateral. All of the Class A-1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B Notes are entitled to receive payments *pari passu* among themselves, all of the Class C Notes are entitled to receive payments *pari passu* among themselves, all of the Class D Notes are entitled to receive payments *pari passu* among themselves, all of the Class E Notes are entitled to receive payments *pari passu* among themselves, all of the Class F Notes are entitled to receive payments *pari passu* among themselves, all of the Class G Notes are entitled to receive payments *pari passu* among themselves, all of the Class H Notes are entitled to receive payments *pari passu* among themselves and all of the Income Notes are entitled to receive distributions *pari passu* among themselves. Except as otherwise described herein, the relative order of seniority of payment of each Class of Notes is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes, *fourth*, Class C Notes, *fifth*, Class D Notes, *sixth*, Class E Notes, *seventh*, Class F Notes, *eighth*, Class G Notes, *ninth*, Class H Notes and *tenth*, Income Notes, with (a) each Class of Notes (other than the Income Notes) in such list being "Senior" to each other Class of Notes that follows such Class of Notes in such list and (b) each Class of Notes (other than the Class A-1 Notes) in such list being "Subordinate" to each other Class of Notes that precedes such Class of Notes in such list.
Collateral Manager:	Kodiak CDO Management LLC will monitor the Collateral under a Collateral Management Agreement to be entered into between the Issuer and the Collateral Manager on the Closing Date (the "Collateral Management Agreement"). Pursuant to the Collateral Management Agreement and in accordance with the Indenture, the Collateral Manager will administer, and advise with respect to the acquisition and disposition of, the Collateral Debt Securities prior to the Ramp-Up Completion Date and to the limited extent permitted by the Indenture, following the Ramp-Up Completion Date (including exercising rights and remedies associated with the Collateral Debt Securities), based on the restrictions set forth in the Indenture (including the Collateral Debt Security Criteria and Eligibility Criteria

	described herein) and on the Collateral Manager's research, credit analysis and judgment. The Collateral Manager will also advise the Issuer with respect to entering into and administering the Hedge Agreements. For a summary of the provisions of the Collateral Management Agreement and certain other information concerning the Collateral Manager, including key individuals associated therewith who will be administering the Issuer's portfolio, see "The Collateral Manager" and "The Collateral Management Agreement." On the Closing Date, an affiliate of the Collateral Manager will purchase approximately 63% of the Income Notes and 51% of the ordinary shares of the Issuer. The Collateral Manager and/or its affiliates may also purchase all or a portion of one or more Classes of Notes other than the Income Notes.
Use of Proceeds:	The gross proceeds received from the issuance and sale of the Offered Securities will be approximately U.S.$770,666,600. A portion of such proceeds will be used to pay the organizational expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers and the Placement Agents), to pay expenses relating to the acquisition of the Collateral Debt Securities, to pay the expenses of offering the Offered Securities (including placement agency fees payable in connection with the placement of the Offered Securities and upfront or structuring fees payable to the Collateral Manager or any Affiliate thereof) and to make an initial deposit into the Expense Account of U.S.$50,000. The net proceeds received from the sale and issuance of the Offered Securities will be approximately U.S.$751,948,881 and will be used by the Issuer to purchase a portfolio of Collateral Debt Securities. Any such proceeds not invested in Collateral Debt Securities or deposited into the Expense Account on the Closing Date will be deposited by the Trustee in the Uninvested Proceeds Account and invested in Eligible Investments pending the use of such proceeds in accordance with the terms of the Indenture. See "Security for the Rated Notes."
Interest Payments on the Notes:	The Class A-1 Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 0.36%. The Class A-2 Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.48%. The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.65%. The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.90%. The Class D-1 Notes will bear interest at a fixed rate per annum equal to 6.549%, for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2016, and a floating rate per annum equal to LIBOR plus 1.20% thereafter. The Class D-2 Notes will bear interest at a

fixed rate per annum equal to 6.425%, for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010, and a floating rate per annum equal to LIBOR plus 1.20% thereafter. The Class D-3 Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.20%. The Class E-1 Notes will bear interest at a fixed rate per annum equal to 6.721%, for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010, and a floating rate per annum equal to LIBOR plus 1.50% thereafter. The Class E-2 Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.50%. The Class F Notes will bear interest at a floating rate per annum equal to LIBOR plus 2.20%. The Class G Notes will bear interest at a floating rate per annum equal to LIBOR plus 3.50%. The Class H Notes will bear interest at a floating rate per annum equal to LIBOR plus 5.00%. The Income Notes will not bear interest at a predetermined fixed or floating rate, but will only be entitled to receive distributions of Interest Proceeds and Principal Proceeds on each Distribution Date if and to the extent funds are available for such purpose in accordance with the Priority of Payments. The Combination Notes will not bear interest at a stated rate, and will be entitled only to the payments to which the Notes represented by their Note Components are entitled. Interest on the Class A Notes, Class B Notes, Class C Noted, Class D-1 Notes (at all times from and after the last day of the Interest Period ending immediately prior to the Distribution Date in August 2016), Class D-2 Notes (at all times from and after the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010), Class D-3 Notes, Class E-1 Notes (at all times from and after the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010), Class E-2 Notes, Class F Notes, Class G Notes and Class H Notes will be computed on the basis of a 360-day year and the actual number of days elapsed. Interest on the Class D-1 Notes (for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2016), Class D-2 Notes (for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010) and Class E-1 Notes (for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010) will be computed on the basis of a 360-day year comprised of 12 30-day months.

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

the case of all Notes other than the Class D-1 Notes (for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2016), Class D-2 Notes (for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010) and Class E-1 Notes (for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010), in the event that any date identified as a Distribution Date (other than a Redemption Date or at Stated Maturity) falls on a day other than a Business Day, the Distribution Date shall be deemed to be the next succeeding Business Day and with respect to any interest-bearing Notes, interest shall accrue on such payment for the period from and after such date that was identified as a Distribution Date to such next succeeding Business Day.

So long as the Class A Notes or Class B Notes remain outstanding, any interest on the Class C Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class C Deferred Interest"). Any interest so deferred will be added to the aggregate outstanding principal amount of the Class C Notes and thereafter interest will accrue on the aggregate outstanding principal amount of such Notes, as so increased. So long as any Class A Note or Class B Note remains outstanding, failure to make payment in respect of interest on the Class C Notes on any Distribution Date by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Upon the payment of Class C Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class C Notes will be reduced by the amount of such payment.

So long as the Class A Notes, Class B Notes or Class C Notes remain outstanding, any interest on the Class D Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class D Deferred Interest"). Any interest so deferred will be added to the aggregate outstanding principal amount of the Class D Notes and thereafter interest will accrue on the aggregate outstanding principal amount of such Notes, as so increased. So long as any Class A Note, Class B Note or Class C Note remains outstanding, failure to make payment in respect of interest on the Class D Notes on any Distribution Date by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Upon the payment of Class D Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class D Notes will be reduced by the amount of such payment.

So long as the Class A Notes, Class B Notes, Class C Notes or Class D Notes remain outstanding, any interest on the Class E Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class E Deferred Interest"). Any interest so deferred will be added to the aggregate outstanding principal amount of the Class E Notes and thereafter interest will accrue on the aggregate outstanding principal amount of such Notes, as so increased. So long as any Class A Note, Class B Note, Class C Note or Class D Note remains outstanding, failure to make payment in respect of interest on the Class E Notes on any Distribution Date by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Upon the payment of Class E Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class E Notes will be reduced by the amount of such payment.

So long as the Class A Notes, Class B Notes, Class C Notes Class D Notes or Class E Notes remain outstanding, any interest on the Class F Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class F Deferred Interest"). Any interest so deferred will be added to the aggregate outstanding principal amount of the Class F Notes and thereafter interest will accrue on the aggregate outstanding principal amount of such Notes, as so increased. So long as any Class A Note, Class B Note, Class C Note, Class D Note or Class E Note remains outstanding, failure to make payment in respect of interest on the Class F Notes on any Distribution Date by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Upon the payment of Class F Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class F Notes will be reduced by the amount of such payment.

So long as the Class A Notes, Class B Notes, Class C Notes Class D Notes, Class E Notes or Class F Notes remain outstanding, any interest on the Class G Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class G Deferred Interest"). Any interest so deferred will be added to the aggregate outstanding principal amount of the Class G Notes and thereafter interest will accrue on the aggregate outstanding principal amount of such Notes, as so increased. So long as any Class A Note, Class B Note, Class C Note, Class D Note, Class E Note or Class F Note remains outstanding, failure to make payment in respect of interest on the Class G Notes on any Distribution Date by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Upon the payment of Class G Deferred Interest previously capitalized as additional principal, the aggregate

outstanding principal amount of the Class G Notes will be reduced by the amount of such payment.

So long as the Class A Notes, Class B Notes, Class C Notes Class D Notes, Class E Notes, Class F Notes or Class G Notes remain outstanding, any interest on the Class H Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class H Deferred Interest"). Any interest so deferred will be added to the aggregate outstanding principal amount of the Class H Notes and thereafter interest will accrue on the aggregate outstanding principal amount of such Notes, as so increased. So long as any Class A Note, Class B Note, Class C Note, Class D Note, Class E Note, Class F Notes or Class G Note remains outstanding, failure to make payment in respect of interest on the Class H Notes on any Distribution Date by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Upon the payment of Class H Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class H Notes will be reduced by the amount of such payment.

So long as any Class A Notes or Class B Notes are outstanding, if either Class A/B Coverage Test is not satisfied on any Determination Date related to any Distribution Date, then funds that would otherwise be used to make distributions on the Income Notes and payments in respect of interest and principal on the Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes and Class H Notes will be used instead to redeem, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes and *third*, the Class B Notes, until each Class A/B Coverage Test is satisfied. See "Description of the Rated Notes—Priority of Payments," "—Mandatory Redemption" and "Ratings of the Offered Securities."

So long as any Class C Notes are outstanding, if either Class C Coverage Test is not satisfied on any Determination Date related to any Distribution Date, then funds that would otherwise be used to make distributions on the Income Notes and payments of interest on the Class D Notes, Class E Notes, Class F Notes, Class G Notes and Class H Notes will be used instead to redeem, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and *fourth*, the Class C Notes, until each Class C Coverage Test is satisfied. See "Description of the Rated Notes—Priority of Payments," "—Mandatory Redemption" and "Ratings of the Offered Securities."

So long as any Class D Notes are outstanding, if either Class D Coverage Test is not satisfied on any Determination Date related to any Distribution Date, then funds that would otherwise be used to make distributions on the Income Notes and payments of

interest on the Class E Notes, Class F Notes, Class G Notes and Class H Notes will be used instead to redeem, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, and, *fifth*, the Class D Notes, *pro rata,* until each Class D Coverage Test is satisfied. See "Description of the Rated Notes—Priority of Payments," "—Mandatory Redemption" and "Ratings of the Offered Securities."

So long as any Class E Notes are outstanding, if either Class E Coverage Test is not satisfied on any Determination Date related to any Distribution Date, then funds that would otherwise be used to make distributions on the Income Notes and payments of interest on Class F Notes, Class G Notes and Class H Notes will be used instead to redeem, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes, *pro rata,* and *sixth*, the Class E Notes, *pro rata,* until each Class E Coverage Test is satisfied. See "Description of the Rated Notes—Priority of Payments," "—Mandatory Redemption" and "Ratings of the Offered Securities."

So long as any Class F Notes or Class G Notes are outstanding, if either Class F/G Coverage Test is not satisfied on any Determination Date related to any Distribution Date, then funds that would otherwise be used to make distributions on the Income Notes and payments of interest on the Class H Notes will be used instead to redeem, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes, *pro rata, sixth*, the Class E Notes, *pro rata, seventh*, the Class F Notes and *eighth*, the Class G Notes, until each Class F/G Coverage Test is satisfied. See "Description of the Rated Notes—Priority of Payments," "—Mandatory Redemption" and "Ratings of the Offered Securities."

So long as any Class H Notes are outstanding, if either Class H Coverage Test is not satisfied on any Determination Date related to any Distribution Date, then funds that would otherwise be used to make distributions on the Income Notes will be used instead to redeem, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes, *pro rata, sixth*, the Class E Notes, *pro rata, seventh*, the Class F Notes, *eighth*, the Class G Notes and *ninth*, the Class H Notes, until each Class H Coverage Test is satisfied. See "Description of the Rated Notes—Priority of Payments," "—Mandatory Redemption" and "Ratings of the Offered Securities."

	Notwithstanding the foregoing, the Interest Coverage Tests need not be satisfied until the Measurement Date on or after the Distribution Date in May 2007. In the event of a Ramp-Up Ratings Confirmation Failure, Uninvested Proceeds, and, to the extent that Uninvested Proceeds are insufficient, Interest Proceeds, and, to the extent that Uninvested Proceeds and Interest Proceeds are insufficient, Principal Proceeds, that would otherwise be used to make payments in respect of interest on the Rated Notes may be used to make payments in respect of principal on one or more Senior Classes of Notes. See "Description of the Rated Notes—Mandatory Redemption" and "—Priority of Payments."
Subordination of the Income Notes:	On each Distribution Date, to the extent funds are available therefor, (a) Interest Proceeds will be released from the lien of the Indenture for payment to the holder of the Income Notes only after the payment of interest on the Rated Notes (including the Class H Note Component) and the payment of certain other amounts in accordance with the Priority of Payments and (b) Principal Proceeds will be released from the lien of the Indenture for payment to the holder of the Income Notes only after the payment of interest on and principal of the Rated Notes (including the Class H Note Component) and the payment of certain other amounts in accordance with the Priority of Payments. See "Description of the Rated Notes—Priority of Payments—Interest Proceeds" and "—Priority of Payments—Principal Proceeds."
Maturity; Average Life:	The stated maturity of the Notes is August 7, 2037 (with respect to each Class of Notes, the "Stated Maturity"). Each Class of Notes will mature at the Stated Maturity unless redeemed or repaid prior thereto. The average life of each Class of Rated Notes may be less than the number of years until their Stated Maturity. See "Maturity, Prepayment and Yield Considerations" and "Risk Factors—Projections, Forecasts and Estimates."
Principal Repayment of the Notes:	A portion of Interest Proceeds may, and a portion of Principal Proceeds shall, subject in each case to the Priority of Payments, be applied on each Distribution Date to pay principal of each Class of Rated Notes. The amount and frequency of principal payments on a Class of Rated Notes will depend upon, among other things, the amount and frequency of payments of such principal and interest received with respect to the Collateral Debt Securities and whether or not the various Coverage Tests are satisfied on such Distribution Date. See "Description of the Rated Notes—Mandatory Redemption," "—Priority of Payments—Interest Proceeds" and "—Priority of Payments—Principal Proceeds."

Mandatory Redemption:	Each Class of Rated Notes shall, on any Distribution Date, be subject to mandatory redemption in the event that any Coverage Test applicable to such Class of Notes or any Class of Rated Notes Subordinate to such Class is not satisfied on the related Determination Date; *provided*, that the Interest Coverage Tests are not required to be satisfied prior to the Measurement Date relating to the Distribution Date in May 2007. Any such redemption will be effected from Interest Proceeds to the extent necessary to cause each applicable Coverage Test to be satisfied. Any such redemption will be applied to each outstanding Class of Rated Notes sequentially in order of seniority in accordance with the Priority of Payments as described below under "Description of the Rated Notes—Priority of Payments." In the event of a Ramp-Up Ratings Confirmation Failure, on and after the Distribution Date in May 2007, the Issuer will be required to apply, first, Uninvested Proceeds, second, Interest Proceeds and, third, Principal Proceeds, to the repayment of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes, *pro rata, sixth*, the Class E Notes, *pro rata*, *seventh* the Class F Notes, *eighth,* the Class G Notes and *ninth*, the Class H Notes, in accordance with the Priority of Payments as, and to the extent, necessary to obtain a Ratings Confirmation. See "Description of the Rated Notes—Mandatory Redemption." On the Distribution Date occurring in November 2016, and on each Distribution Date thereafter, if the Rated Notes are not redeemed in full on or prior to such date, 60% of Interest Proceeds that would otherwise be released from the lien of the Indenture and paid to the Issuer for distribution to the holders of the Income Notes and Combination Notes (to the extent of the Income Note Component thereof) will be applied to pay principal of the Rated Notes, in reverse order of seniority in accordance with the Priority of Payments, until each Class of Rated Notes has been paid in full. See "Description of the Rated Notes—Priority of Payments—Interest Proceeds."
Auction Call Redemption:	If the Notes have not been redeemed in full prior to the Distribution Date occurring in August 2016, then an auction of the Collateral Debt Securities will be conducted by the Collateral Manager on behalf of the Co-Issuers and, *provided* that certain conditions are satisfied, the Collateral Debt Securities will be sold and the Notes will be redeemed on such Distribution Date. If such conditions are not satisfied and the auction is not successfully conducted on such Distribution Date, the Collateral Manager will conduct auctions on a semi-annual basis until the Notes are redeemed in full. See "Description of the Rated Notes—Auction Call Redemption."

Optional Redemption and Tax Redemption:	Subject to certain conditions described herein, on any Distribution Date occurring after the Distribution Date occurring in August 2010, the Issuer may redeem the Notes (such redemption, an "Optional Redemption"), in whole but not in part, at the direction of the holders of a majority of the aggregate outstanding principal amount of the Income Notes at the applicable Redemption Price therefor. See "Description of the Rated Notes—Optional Redemption and Tax Redemption." In addition, upon the occurrence of a Tax Event, the Issuer may redeem the Notes (such redemption, a "Tax Redemption") on any Distribution Date, in whole but not in part, at the direction of the holders of (a) the holders of at least 66 2/3% of the aggregate outstanding principal amount of the Class A-1 Notes, until the Trustee and the Collateral Manager have received notice from AG Financial Products Inc. and Assured Guaranty Corp. that it is no longer providing credit protection in respect of the Class A-1 Notes, or (b) the holders of at least 66 2/3% of the aggregate outstanding principal amount of the Class H Notes, if, as a result of the occurrence of a Tax Event, such Class of Notes has not received 100% of the aggregate amounts otherwise payable to such class on such Distribution Date (such Class, the "Affected Class"). Any such redemption may only be effected on a Distribution Date and only from (a) the sale proceeds of the Collateral and (b) all other funds in the Interest Collection Account, Principal Collection Account and the Payment Account on such Distribution Date, at the applicable Redemption Price. No Tax Redemption may be effected, however, unless (i) all sale proceeds (up to the amount required) under clause (a) above are used to make such Tax Redemption, (ii) a Tax Event shall have occurred and (iii) the Tax Materiality Condition is satisfied. See "Description of the Rated Notes—Optional Redemption and Tax Redemption."
Security for the Rated Notes and Combination Notes:	Pursuant to the Indenture, the Rated Notes and the Combination Notes (to the extent of the Class H Note Component), together with the Issuer's obligations to the Hedge Counterparty under the Hedge Agreements, will be secured by: (i) the Collateral Debt Securities; (ii) the rights of the Issuer under the Hedge Agreements; (iii) amounts (except for the Warehouse Accrued Interest) on deposit in the Payment Account, the Interest Collection Account, the Semi-Annual Interest Reserve Account, the Principal Collection Account, the Uninvested Proceeds Account, the Hedge Counterparty Collateral Account and the Expense Account and Eligible Investments purchased with funds on deposit in such accounts; (iv) the rights of the Issuer under the Collateral Management Agreement and the Collateral Administration Agreement; (v) all cash and money delivered to

	the Trustee (except for the Warehouse Accrued Interest); and (vi) all proceeds of the foregoing (except for, with respect to the Collateral Debt Securities, the Warehouse Accrued Interest) (collectively, the "Collateral"). In the event of any realization on the Collateral, proceeds will be allocated to the payment of each Class of Notes (including the Class H Note Components) in accordance with the respective priorities established by the Priority of Payments. The Income Notes will not be secured by any Collateral.
Acquisition of Collateral:	The Issuer expects that, as of the Closing Date, it will have purchased (or entered into commitments to purchase, for settlement on or following the Closing Date) Collateral Debt Securities which will comprise approximately 66% of the Aggregate Ramp-Up Par Amount. Following the Closing Date and on or prior to the Ramp-Up Completion Date, the Issuer will be permitted in accordance with the terms of the Indenture to use Uninvested Proceeds to purchase additional Collateral Debt Securities in accordance with (A) the Acquisition Resolutions or (B) the Acquisition Representations (each as defined below). The Issuer expects that, no later than the 180th day following the Closing Date, it will have purchased Collateral Debt Securities having an aggregate principal balance of approximately U.S.$750,000,000 (the "Aggregate Ramp-Up Par Amount"). If the aggregate principal amount of Collateral Debt Securities purchased (or committed for purchase) on the Closing Date is less than the Aggregate Ramp-Up Par Amount, then the Issuer may acquire Collateral Debt Securities in accordance with two methodologies as follows: (A) The Issuer may elect, on or prior to the Closing Date, to adopt resolutions (the "Acquisition Resolutions") that authorize the Issuer to use Uninvested Proceeds to purchase additional Collateral Debt Securities, such that the total par amount of Collateral Debt Securities held by the Issuer following such purchase will be approximately equal to the Aggregate Ramp-Up Par Amount. If adopted, the Acquisition Resolutions will provide that the Issuer may acquire Collateral Debt Securities in accordance therewith during the period from the Closing Date to the Ramp-Up Completion Date from issuers specified on a schedule to the Indenture, in the order in which such issuers are listed on such schedule. The Acquisition Resolutions will also provide, however, that if the Collateral Debt Securities of the highest ranking issuer on such schedule from whom Collateral Debt Securities have not already been purchased by the Issuer are not available for purchase on the applicable terms set forth on such schedule and in accordance with the terms set forth in the Indenture, then the Issuer will instead acquire Collateral Debt Securities from the next highest ranking issuer on such schedule

from whom such Collateral Debt Securities are available on such terms and in accordance with such restrictions;

or

(B) The Issuer may elect to satisfy the conditions and make the representations and warranties (the "Acquisition Representations") set forth in Exhibit S to the Indenture with regard to "seasoning" of the Collateral Debt Securities, among other matters, prior to purchase or any commitment to purchase by the Issuer, in connection with the acquisition of Collateral Debt Securities after the Closing Date such that the total par amount of Collateral Debt Securities held by the Issuer following such acquisition will be approximately equal to the Aggregate Ramp-Up Par Amount.

The Issuer may elect to acquire Collateral Debt Securities after the Closing Date using either or both of the Acquisition Resolution methodology and the Acquisition Representations methodology.

The Collateral Debt Securities purchased by the Issuer will have the characteristics and satisfy the criteria set forth herein under "Security for the Rated Notes—Eligibility Criteria for Collateral Debt Securities." Although the Issuer expects that the Collateral Debt Securities purchased by it in the manner set forth above will, on the 180th day following the Closing Date (or if earlier, the day on which it will have purchased Collateral Debt Securities pursuant to the terms of the Indenture having an aggregate principal balance at least equal to the Aggregate Ramp-Up Par Amount), satisfy the Coverage Tests and the Collateral Quality Tests described herein, there is no assurance that such tests will be satisfied on such date. Failure to satisfy such tests on or following the Ramp-Up Completion Date may result in the repayment or redemption of a portion of the Rated Notes (according to the priority specified in the Priority of Payments). See "Description of the Rated Notes—Mandatory Redemption."

No investment will be made in Collateral Debt Securities after the Closing Date, other than (i) the settlement of purchases of Collateral Debt Securities pursuant to agreements entered into on or prior to the Closing Date, (ii) the acquisition of Collateral Debt Securities with, if there has been any event of realization on the Collateral, proceeds of such realization, prior to the 180th day following the Closing Date and the settlement of such purchases and (iii) the acquisition of Collateral Debt Securities prior to the Ramp-Up Completion Date, in each case as described herein under "Security for the Rated Notes—Acquisition of Collateral Debt Securities Prior to the Ramp-Up Completion Date."

	Notwithstanding anything contained herein to the contrary, no Equity Security, Defaulted Security or Credit Impaired Security may be disposed of, and no Collateral Debt Security may be acquired, for the primary purpose of recognizing gains or decreasing losses resulting from market value changes. See "Security for the Rated Notes–Disposition of Collateral Debt Securities," and "Security for the Rated Notes–Acquisition of Collateral Debt Securities Prior to the Ramp-Up Completion Date."
Collateral Debt Securities:	"Collateral Debt Securities" consist primarily of U.S. dollar denominated (a) trust preferred securities (the "Trust Preferred Securities") issued by trust subsidiaries (each, a "Trust Preferred Securities Issuer") of trusts or other entities qualifying and electing to be treated as a "real estate investment trust" for U.S. federal income tax purposes (each, a "REIT") and real estate operating companies (including trusts and other entities), including but not limited to home building companies, that are not treated as REITs (each, a "REOC" and together with the REITs, the "Real Estate Entities"), (b) senior notes (the "Senior Notes") issued by Real Estate Entities (each a "Senior Note Issuer"), (c) subordinated notes (the "Subordinated Notes" and, together with the Senior Notes, the "Real Estate Entity Notes") issued by Real Estate Entities (each, a "Subordinated Note Issuer" and, together with the Senior Note Issuers, the "Note Issuers"), (d) commercial mortgage-backed securities ("CMBS") issued by CMBS issuers (each, a "CMBS Issuer") and (e) certain defeased securities that, except for such defeasance, would constitute Collateral Debt Securities. The Trust Preferred Securities, Real Estate Entity Notes and CMBS are referred to herein collectively as the "Collateral Debt Securities"; *provided* that, in order for a security to be a Collateral Debt Security when purchased, it must satisfy the Collateral Debt Security Criteria and other Eligibility Criteria applicable to such security. Senior Notes originated for inclusion in Collateral Debt Securities are referred to herein as "Primary Senior Notes"; other Senior Notes purchased by the Issuer in secondary market transactions from the sellers thereof, which will not be the issuers of such securities, are referred to herein as "Secondary Senior Notes." If the junior subordinated debt securities issued by a Real Estate Entity to its trust subsidiary (the "Corresponding Debentures") are exchanged for related Trust Preferred Securities, thereafter such Corresponding Debentures will become Collateral Debt Securities and the issuers thereof will become Collateral Debt Securities Issuers.
Liquidation of Collateral Debt Securities:	In August 2037, or in connection with any Optional Redemption, Tax Redemption or Auction Call Redemption, the Collateral Debt Securities, Eligible Investments and other Collateral will be liquidated. All net proceeds from such liquidation and all

	available cash will be applied to the payment (in the order of the respective priorities set forth under "Description of the Rated Notes—Priority of Payments") of all (i) fees, (ii) expenses (including the amounts due to any Hedge Counterparty) and (iii) principal of and interest on the Rated Notes. After all payments required pursuant to the Indenture and the payment of the costs and expenses of such liquidation, the establishment of adequate reserves to meet all contingent, unliquidated liabilities or obligations of the Co-Issuers and the return to the owners of the Issuer's ordinary shares of the U.S.$1,000 of capital contributed to the Issuer in respect of such ordinary shares, net proceeds from such liquidation and available cash remaining will be distributed to the holders of the Income Notes. The Issuer Charter provides that the holders of the ordinary shares in the Issuer shall pass a special resolution to cause the Issuer to be wound up on the earliest to occur of (i) at any time on or after the date falling one year and two days after the Stated Maturity of the Notes, upon the Directors' determination to dissolve the Issuer, (ii) at any time after the sale or other disposition of all of the Issuer's assets, upon the Directors' determination to dissolve the Issuer, (iii) at any time after the Notes are paid in full, upon the Directors' determination to dissolve the Issuer and (iv) on the date of a winding up pursuant to the provisions of or as contemplated by The Companies Law of the Cayman Islands as then in effect. The Directors of the Issuer currently intend, in the event that the Income Notes are not redeemed at the option of the holders of a majority of the aggregate outstanding principal amount of the Income Notes following the repayment in full of the Rated Notes, to liquidate all of the Issuer's remaining investments in an orderly manner and distribute the proceeds of such liquidation to holders of the Income Notes.
Placement:	The Offered Securities are being offered for sale (i) in the United States to Qualified Purchasers that are also Qualified Institutional Buyers, purchasing for their own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A and, with respect to the Income Notes only, Accredited Investors, in reliance on the exemption from the registration requirements provided by Section 4(2) of the Securities Act and in accordance with any other applicable law, that are also persons (other than any rating organization rating the Issuer's securities) involved in the organization or operation of the Issuer or an affiliate, as defined in Rule 405 under the Securities Act, of such a person (each, a "Rule 3a-7 Person") and (ii) outside the United States to certain Non-U.S. Persons that are (a), in the case of the Class H Notes, Combination Notes and Income Notes, also Qualified

	Institutional Buyers or (b) in the case of the Income Notes only, Rule 3a-7 Persons, in offshore transactions in reliance on Regulation S and, in each case, in accordance with any other applicable law. See "Plan of Distribution" and "Transfer Restrictions."
Ratings:	It is a condition to the issuance of the Offered Securities that the Class A Notes be rated "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), "AAA" by Fitch, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's" and, together with Standard & Poor's and Fitch, the "Rating Agencies"), that the Class B Notes be rated at least "AA" by Standard & Poor's, "AA" by Fitch and "Aa1" by Moody's, that the Class C Notes be rated at least "AA" by Standard & Poor's, "AA" by Fitch and "Aa3" by Moody's, that the Class D Notes be rated at least "AA-" by Standard & Poor's and "AA-" by Fitch, that the Class E Notes be rated at least "A" by Standard & Poor's and "A" by Fitch, that the Class F Notes be rated at least "BBB+" by Standard & Poor's and "BBB+" by Fitch, that the Class G Notes be rated at least "BBB" by Standard & Poor's and "BBB" by Fitch, that the Class H Notes be rated at least "BB+" by Standard & Poor's and "BB+" by Fitch and that the Combination Notes be rated at least "BB+" by Standard & Poor's. The ratings of the Class A Notes and the Class B Notes from Standard & Poor's and Fitch address the ultimate payment of principal of, and the timely payment of interest on, such Notes. The ratings of the Class A Notes and the Class B Notes from Moody's address the ultimate payment of principal of and interest on such Rated Notes. The ratings of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes from the Rating Agencies address the ultimate payment of principal of and interest on, such Notes. The ratings of the Combination Notes from Standard & Poor's address the ultimate receipt of the related Initial Combination Notes Outstanding Balance.
Minimum Denominations:	The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes, the Class H Notes and the Income Notes will be issuable in a minimum denomination of U.S.$250,000 and will be offered only in such minimum denomination or an integral multiple of U.S.$1,000 in excess thereof. The Combination Notes will be issuable in a minimum denomination of U.S.$250,000, and will be offered only in such minimum denomination or an integral multiple of U.S.$1,000 in excess thereof. After issuance, (i) a Note or Combination Note may fail to be in compliance with the minimum denomination requirement stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments or in connection with any repayment of principal required by the Rating Agencies following a Ramp-Up

	Ratings Confirmation Failure and (ii) Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes and Class H Notes may fail to be in an amount which is an integral multiple of U.S.$1,000 due to the addition to the principal amount thereof of Class C Deferred Interest, Class D Deferred Interest, Class E Deferred Interest, Class F Deferred Interest, Class G Deferred Interest and Class H Deferred Interest.
Form, Registration and Transfer of the Rated Notes and the Combination Notes:	The Rated Notes offered to Non-U.S. Persons (that are, in the case of the Class H Notes, also Qualified Institutional Buyers) in reliance upon Regulation S (the "Regulation S Notes") will be represented by one or more global notes (the "Restricted Global Rated Notes") in fully registered form without interest coupons deposited with the Trustee as custodian for, and registered in the name of, The Depository Trust Company ("DTC") (or its nominee) and deposited with or on behalf of DTC initially for the accounts of Euroclear Bank S.A./N.V. ("Euroclear Bank"), as operator of the Euroclear System ("Euroclear"), and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Interests in the Restricted Global Rated Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants (including Euroclear and Clearstream, Luxembourg). The Combination Notes offered to Non-U.S. Persons that are also Qualified Institutional Buyers in reliance upon Regulation S (the "Regulation S Combination Notes") will be represented by one or more global notes (the "Regulation S Global Combination Notes") in fully registered form without interest coupons deposited with the Trustee as custodian for, and registered in the name of, DTC (or its nominee) and deposited with or on behalf of DTC initially for the accounts of Euroclear Bank, as operator of Euroclear, and/or Clearstream, Luxembourg. Interests in the Regulation S Global Combination Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants (including Euroclear and Clearstream, Luxembourg). Rated Notes sold in the United States to Qualified Purchasers that are also Qualified Institutional Buyers will be issued in the form of one or more permanent global notes in definitive, fully registered form without interest coupons (the "Restricted Global Rated Notes"), deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee. Interests in Restricted Global Rated Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants.

Combination Notes sold in the United States to Qualified Purchasers that are also Qualified Institutional Buyers will be issued in the form of certificated notes in definitive, fully registered form without interest coupons (the "Restricted Combination Notes"), registered in the name of the legal and beneficial owner thereof (or nominee acting on behalf of the disclosed legal and beneficial owner thereof).

The Regulation S Global Rated Notes, the Regulation S Global Combination Notes and the Restricted Global Rated Notes are collectively referred to herein as the "Global Notes."

No Note or Combination Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Restricted Global Rated Note or a Restricted Combination Note except (a) to a Qualified Purchaser that is also a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A, (b) in compliance with the certification (if any) and other requirements set forth in the Indenture and (c) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. In addition, each initial purchaser of a Class H Note or a Combination Note (or any interest therein) represents, warrants and covenants that it will not transfer such Class H Note or Combination Note (or such interest therein) without providing the Issuer and the Trustee with a written certification for the benefit of the Issuer and the Trustee from the transferee thereof that such transferee is a Qualified Institutional Buyer and a Qualified Purchaser and that such transferee will obtain the same representation, warranty and covenant from any entity to whom it transfers such Class H Note or Combination Note (or interest therein).

No Class A Note, Class B Note, Class C Note, Class D Note, Class E Note, Class F Note or Class G Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Regulation S Global Rated Note except (a) to a Non-U.S. Person acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S, (b) in compliance with the certification (if any) and other requirements set forth in the Indenture and (c) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Class H Note or Combination Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Regulation S Global Rated Note or Regulation S Combination Note except (a) to a Non-U.S. Person that is also a Qualified Institutional Buyer acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance

with Rule 904 of Regulation S, (b) in compliance with the certification (if any) and other requirements set forth in the Indenture and (c) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Rated Note or Combination Note may be transferred, and neither the Trustee nor the Note Registrar will recognize any such transfer, unless (a) such transfer is made in a manner exempt from registration under the Securities Act, (b) such transfer is made in denominations greater than or equal to the minimum denomination therefor, (c) such transfer would not have the effect of requiring the Issuer, the Co-Issuer or the Collateral to register as an investment company under the 1940 Act and (d) the transferee is able to make all applicable certifications and representations required by the Indenture.

In addition to the above, each initial purchaser of a Class H Note or Combination Note (or any interest therein) represents, warrants and covenants that it will not transfer such Class H Note or Combination Note (or such interest therein) without providing the Issuer and the Trustee with a written certification for the benefit of the Issuer and the Trustee from the transferee thereof that such transferee is a Qualified Institutional Buyer and a Qualified Purchaser and that such transferee will obtain the same representation, warranty and covenant from any entity to whom it transfers such Class H Note or Combination Note (or interest therein). Notwithstanding the foregoing, other than with respect to the written certification set forth in the preceding sentence, an owner of a beneficial interest in a Regulation S Global Rated Note or Regulation S Global Combination Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Rated Note or Regulation S Global Combination Note without the provision of written certification (other than the written certification set forth in the preceding sentence); *provided,* that in each such case, the transferee shall be deemed to have made certain representations set forth in the Indenture. See "Description of the Rated Notes—Form, Denomination, Registration and Transfer" and "Transfer Restrictions."

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Rated Note or Combination Note (or any interest therein) (A) is a U.S. Person and (B) was not both a Qualified Purchaser and a Qualified Institutional Buyer at the time of its acquisition thereof, then either of the Co-Issuers may require, by notice to such holder, that such holder sell all of its right, title and interest in such Rated Note or Combination Note (or interest therein) to a Person that is both a Qualified Purchaser and a Qualified Institutional Buyer with such sale to

be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from either Co-Issuer, the Trustee (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's interest in such Rated Note or Combination Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is both a Qualified Purchaser and a Qualified Institutional Buyer and (ii) pending such transfer, no further payments will be made in respect of such Rated Note or Combination Note held by such beneficial owner.

In addition, the Indenture provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of a Class H Note or Combination Note (or any interest therein) was not a Qualified Institutional Buyer (or in the case of a U.S. Person, was not both a Qualified Purchaser and a Qualified Institutional Buyer) at the time of its acquisition thereof, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest in such Class H Note or Combination Note (or interest therein) to a Person that is a Qualified Institutional Buyer (or, in the case of a U.S. Person, a Person that is both a Qualified Purchaser and a Qualified Institutional Buyer) with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Issuer, the Trustee (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's interest in such Class H Note or Combination Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is a Qualified Institutional Buyer (or, in the case of a U.S. Person, both a Qualified Purchaser and a Qualified Institutional Buyer) and (ii) pending such transfer, no further payments will be made in respect of such Class H Note or Combination Note held by such beneficial owner.

No Class A Note, Class B Note, Class C Note, Class D Note, Class E Note, Class F Note or Class G Note (or an interest in any of the foregoing) may be transferred except to a transferee that is deemed to represent and warrant either that (a) it is not (and for so long as it holds such Note will not be) and it is not acting on behalf of (and for so long as it holds such Note will not be acting

on behalf of) an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, a "plan" described in Section 4975(e)(1) of the Code, an entity which is deemed to hold plan assets of any of the foregoing by reason of investment by an employee benefit plan or plan in such entity or a foreign, church or governmental plan which is subject to any applicable law that is substantially similar to ERISA or Section 4975 of the Code or (b) its acquisition, ownership and disposition of such Note will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, any substantially similar applicable law).

No Class H Note (or an interest therein) may be transferred except to a transferee that is deemed to represent and warrant that it is not (and for so long as it holds such Note will not be) and it is not acting on behalf of (and for so long as it holds such Note will not be acting on behalf of) a Benefit Plan Investor.

No Combination Note (or an interest therein) may be transferred except to a transferee that represents and warrants or is deemed to represent and warrant that it is not (and for so long as it holds such Combination Note will not be) acting on behalf of (and for so long as it holds such Combination Note will not be acting on behalf of) a Benefit Plan Investor or a Controlling Person.

No Class H Note or Combination Note (or an interest in either of the foregoing) may be transferred to a transferee that is a foreign, church or governmental plan except to such a transferee that is deemed to represent and warrant that its acquisition, holding and disposition of such Note (or interest therein) will not result in a nonexempt prohibited transaction under, or a violation of, any applicable law that is substantially similar to ERISA or Section 4975 of the Code.

Form, Registration and Transfer of the Income Notes:

The Income Notes offered by the Issuer in the United States in reliance upon an exemption from the registration requirements of the Securities Act ("Restricted Income Notes") will be represented by certificates in fully registered, definitive form registered in the name of the legal and beneficial owner thereof (or a nominee acting on behalf of the disclosed legal and beneficial owner thereof).

The Income Notes offered to Qualified Institutional Buyers or Rule 3a-7 Persons in reliance upon Regulation S ("Regulation S Income Notes") will be represented by one or more global certificates in fully registered form deposited with, and registered in the name of DTC (or its nominee) and deposited with the Trustee as custodian on behalf of DTC initially for the accounts of Euroclear Bank, as operator of Euroclear, and/or

Clearstream, Luxembourg. Interests in the Regulation S Income Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants (including Euroclear and Clearstream, Luxembourg). Interests in a Regulation S Income Note may be held only through Euroclear or Clearstream, Luxembourg.

No Income Note (or interest therein) may be transferred to a transferee acquiring Restricted Income Notes except (a) to a Qualified Purchaser that represents to the Issuer and the Placement Agents in a transfer certificate it is also either (x) a Qualified Institutional Buyer or (y) an Accredited Investor, in reliance on the exemption from the registration requirements provided by Section 4(2) of the Securities Act and in accordance with any other applicable law, that is also a Rule 3a-7 Person, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, (b) to a transferee that represents and warrants that it is not (and for so long as it holds such Restricted Income Note will not be), and is not acting on behalf of (and for so long as it holds such Restricted Income Note will not be acting on behalf of), a Benefit Plan Investor or a Controlling Person, (c) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (d) if such transfer is made in compliance with the certification and other requirements set forth in the Indenture and (e) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Income Note (or any interest therein) may be transferred to a transferee acquiring Regulation S Income Notes except (a) to a Non-U.S. Person that is also a Qualified Institutional Buyer or a Rule 3a-7 Person that is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S, (b) to a transferee that is not a U.S. Person, (c) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (d) to a transferee that represents and warrants that it is not (and for so long as it holds such Regulation S Income Note will not be), and is not acting on behalf of (and for so long as it holds such Regulation S Income Note will not be acting on behalf of), a Benefit Plan Investor or a Controlling Person, and (e) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

Each purchaser or transferee of an Income Note (or an interest therein) that is a foreign, church or governmental plan, will be deemed to represent and warrant that its acquisition, holding and

	disposition of the Income Note (or interest therein) will not result in a nonexempt prohibited transaction under, or a violation of, any applicable law that is substantially similar to ERISA or Section 4975 of the Code. Each initial purchaser of Income Notes (or any interest therein) represents, warrants and covenants that it will not transfer such Income Notes (or any interest therein) without providing the Issuer with a written certification for the benefit of the Issuer from the transferee thereof that such transferee is a Qualified Purchaser and a Qualified Institutional Buyer or a Rule 3a-7 Person and that such transferee will obtain the same representation, warranty and covenant from any entity to whom it transfers such Income Notes (or any interest therein).
Listing:	Application has been made to the Irish Financial Services Regulatory Authority ("IFSRA") in its capacity as competent authority under Directive 2003/71/EC (the "Prospectus Directive"), for the Offering Circular to be approved. Application has been made to the Irish Stock Exchange for the Notes and Combination Notes to be admitted to the Official List and trading on its regulated market. There can be no assurance that such admission and listing will be granted. Approval (if granted) relates only to the Notes and Combination Notes which are expected to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC (or which are to be offered to the public in any Member State of the European Economic Area). Initially, no application will be made to list the Notes on any other stock exchange. The issuance and settlement of the Offered Securities on the Closing Date are not conditioned on the listing of the Rated Notes on the Irish Stock Exchange. See "Listing and General Information."
Irish Listing Agent and Irish Paying Agent:	RSM Robson Rhodes LLP.
The Trustee:	JPMorgan Chase Bank, National Association will be the Trustee under the Indenture. The Trustee is a wholly-owned subsidiary of JPMorgan Chase & Co. JPMorgan Chase & Co. has entered into an agreement with The Bank of New York Company, Inc. pursuant to which JPMorgan Chase & Co. intends to exchange select portions of the Trustee's corporate trust business, including municipal, corporate and structured finance trusteeships (including the Trustee's services under the Indenture), for the consumer, small-business and middle-market banking businesses of The Bank of New York Company, Inc. This transaction has been approved by both companies' boards of directors and is subject to regulatory approvals. It is expected to close in the late third quarter or fourth quarter of 2006.

The Administrator:	Walkers SPV Limited will act as administrator (in such capacity, the "Administrator") and will perform certain administrative services for the Issuer.
Legal Investment:	Institutions whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investments in the Offered Securities.
Governing Law:	The Offered Securities, the Indenture, the Collateral Management Agreement, the Collateral Administration Agreement, the Hedge Agreement, and the Placement Agreement will be governed by, and construed in accordance with, the law of the State of New York. The Issuer Charter and the Administration Agreement will be governed by, and construed in accordance with, the law of the Cayman Islands.
Tax Matters:	See "Certain Income Tax Considerations."
ERISA Matters:	See "Certain ERISA Considerations."

RISK FACTORS

Considerations Regarding the Offered Securities

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

Limited Liquidity. There is currently no market for the Offered Securities. Although any Placement Agent may from time to time make a market in any Class of Rated Notes, the Combination Notes or the Income Notes, no Placement Agent is under any obligation to do so. In the event that a Placement Agent commences any market-making, such Placement Agent may discontinue such market-making at any time. There can be no assurance that a secondary market for any of the Offered Securities will develop, or if a secondary market does develop, that it will provide the holders of such Offered Securities with liquidity, or that it will continue for the life of the Offered Securities. In addition, the Offered Securities are subject to certain transfer restrictions and can only be transferred to certain transferees as described under "Transfer Restrictions." Consequently, an investor in the Offered Securities must be prepared to hold its Offered Securities for an indefinite period of time or until the Stated Maturity of the Notes. The Offered Securities will not be registered under the Securities Act or any state securities laws, and the Co-Issuers have no intention, and are under no obligation, to register the Offered Securities under the Securities Act or any state securities laws.

Non-Recourse Obligations. The Rated Notes are non-recourse obligations of the Co-Issuers and the Income Notes and Combination Notes are non-recourse obligations of the Issuer. The Notes (including the interests therein represented by the Note Components) are payable solely from the Collateral Debt Securities and other Collateral pledged by the Issuer to secure the Notes. None of the security holders, members, officers, directors, managers or incorporators of the Issuer, the Co-Issuer, the Trustee, the Administrator, any Rating Agency, the Collateral Manager, the Placement Agents, any of their respective affiliates or any other person or entity will be obligated to make payments on the Notes. Consequently, the holders of the Notes must rely solely on amounts received in respect of the Collateral Debt Securities and other Collateral pledged to secure the Rated Notes for the payment of principal thereof and interest thereon. There can be no assurance that the distributions on the Collateral Debt Securities and other Collateral pledged by the Issuer to secure the Rated Notes will be sufficient to make payments on any Class of Notes (including the related Note Components), in particular after making payments on more Senior Classes of Notes (including the related Note Components) and certain other required amounts ranking Senior to such Class. The Co-Issuers' ability to make payments in respect of any Class of Notes will be constrained by the terms of the Notes of Classes more Senior to such Class and the Indenture. If distributions on the Collateral are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Collateral, the obligations of the Co-Issuers to pay such deficiencies will be extinguished.

The Income Notes (including the interests therein represented by the Income Note Component) will not be secured pursuant to the lien of the Indenture. None of the security holders, members, officers, directors, managers or incorporators of the Issuer, the Co-Issuer, the Trustee, the Administrator, any Rating Agency, the Collateral Manager, the Placement Agents, any of their respective affiliates or any other person or entity will be obligated to make payments on the Income Notes. There can be no assurance that the distributions on the Collateral Debt Securities and other Collateral pledged by the Issuer to secure the Rated Notes (including the Class H Note Component) will be sufficient to make payments on the Rated Notes and, therefore, there can be no assurance that any funds will be available for distribution to the holders of the Income Notes or the Combination Notes (to the extent of the Income Note Component thereof) following payments of interest and principal on the Rated Notes. The Co-

Issuers' ability to make payments in respect of the Notes will be constrained by the terms of the Notes, the Indenture and Cayman Islands law.

Subordination of each Class of Subordinate Notes. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that remain outstanding (including the related Note Component) has been paid in full. Except as otherwise described herein, no payment of principal of any Class of Notes (including the related Note Component) will be made until all principal of, and all accrued and unpaid interest on, the Notes of each Class that is Senior to such Class and that remain outstanding (including the related Note Component) have been paid in full. See "Description of the Rated Notes—Priority of Payments." If an Event of Default occurs, so long as any Notes are outstanding, the holders of a majority in aggregate outstanding principal amount of the Notes of the Controlling Class (including the related Note Component) will be entitled to determine the remedies to be exercised under the Indenture. So long as any Class B Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class C Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class C Notes that is not paid when due by operation of the Priority of Payments will be deferred. So long as any Class C Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class D Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class D Notes that is not paid when due by operation of the Priority of Payments will be deferred. So long as any Class D Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class E Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class E Notes that is not paid when due by operation of the Priority of Payments will be deferred. So long as any Class E Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class F Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class F Notes that is not paid when due by operation of the Priority of Payments will be deferred. So long as any Class F Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class G Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class G Notes that is not paid when due by operation of the Priority of Payments will be deferred. So long as any Class G Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class H Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest of the Class H Notes that is not paid when due by operation of the Priority of Payments will be deferred. In the event of any realization on the Collateral, proceeds will be allocated to the Rated Notes and other amounts in accordance with the Priority of Payments prior to any distribution to the holders of the Income Notes. See "Description of the Rated Notes—The Indenture" and "—Priority of Payments." Remedies pursued by the holders of a majority in aggregate outstanding principal amount of the Notes of the Controlling Class (as defined herein) or the holders of the Class or Classes of Notes entitled to determine the exercise of such remedies could be adverse to the interest of the holders of such Notes or the other Classes of Notes. To the extent that any losses are suffered by the holders of any Securities, such losses will be borne, *first*, by the holders of the Income Notes, *second*, by the holders of the Class H Notes, *third*, by the holders of the Class G Notes, *fourth*, by the holders of the Class F Notes, *fifth*, by the holders of the Class E Notes, *pro rata*, *sixth*, by the holders of the Class D Notes, *pro rata*, *seventh*, by the holders of the Class C Notes, *eighth*, by the holders of the Class B Notes, *ninth*, by the holders of the Class A-2 Notes, and *tenth*, by the holders of the Class A-1 Notes.

Payments in Respect of the Income Notes. The Issuer, pursuant to the Indenture, has pledged substantially all of its assets (but excluding its share capital and the profit fee paid to it) to secure the Rated Notes (including the Class H Note Component) and certain other obligations of the Issuer. The

proceeds of such assets will be available to make payments in respect of the Income Notes only as and when such proceeds are released from the lien of the Indenture in accordance with the Priority of Payments and the other terms of the Indenture. There can be no assurance that, after payment of principal of and interest on the Rated Notes (including the Class H Note Component) and other fees and expenses of the Co-Issuers in accordance with the Priority of Payments, the Issuer will have funds remaining to make distributions in respect of the Income Notes. See "Description of the Rated Notes—Priority of Payments."

Any amounts that are released from the lien of the Indenture for distribution to the holders of the Income Notes and the holders of the Combination Notes (to the extent of the Income Note Component thereof) in accordance with the Priority of Payments on any Distribution Date will not be available to make payments in respect of the Notes on any subsequent Distribution Date.

Volatility of the Income Notes. The Income Notes represent a leveraged investment in the underlying Collateral. Therefore, it is expected that changes in the value of the Income Notes will be greater than the change in the value of the underlying Collateral Debt Securities, which themselves are subject to credit, liquidity, interest rate and other risks. Such utilization of leverage increases the risk of losses to the Issuer and, therefore, increases the risk of losses to the holders of the Income Notes. The indebtedness of the Issuer under the Notes will result in interest expense and other costs incurred in connection with such indebtedness that may not be covered by proceeds received from the Collateral. The use of leverage generally magnifies the Issuer's opportunities for both gain and risk of loss.

Considerations Regarding Real Estate Entities

General. Real Estate Entities are financial vehicles and operating companies that seek to pool capital from a number of investors in order to participate directly in real estate ownership or financing, including, without limitation, the business of building homes for resale. Since the Collateral will consist primarily of trust preferred securities issued by trust subsidiaries of Real Estate Entities, which trust subsidiaries are entirely dependent upon the Real Estate Entity to provide payment on the Corresponding Debentures issued by the Real Estate Entity to such subsidiary or the Real Estate Entity Notes issued directly by a Real Estate Entity, an investment in the Issuer will be subject to varying degrees of risk generally incident to the ownership and financing of real property. The underlying value of the Collateral Debt Securities and the Issuer's ability to make payments to the holders of the Offered Securities may be adversely affected by the following factors which may adversely affect the performance of the Real Estate Entities: adverse changes in national economic conditions, adverse changes in local market conditions due to changes in general or local economic conditions and neighborhood characteristics, increased competition from other properties, obsolescence of property, changes in the availability, cost and terms of mortgage funds, the impact of present or future environmental legislation and compliance with environmental laws, the ongoing need for capital improvements, particularly in older properties, changes in real estate tax rates and other operating expenses, regulatory and economic impediments to raising rents, adverse changes in governmental rules and fiscal policies, dependency on management skills, civil unrest, acts of God, including earthquakes and other natural disasters (which may result in uninsured losses), acts of war, adverse changes in zoning laws, and other factors which may be beyond the control of the Real Estate Entities issuing Corresponding Debentures, Senior Notes or Subordinated Notes.

Equity Real Estate Entities may concentrate investments in specific geographic areas or in specific property types, *i.e.*, hotels, shopping malls, residential complexes (including homes built for resale), and office buildings potentially increasing the negative impact of economic conditions on Real Estate Entities. Variations in rental income and space availability, vacancy rates in terms of supply and demand and the supply of and demand for existing homes and new homes are additional factors affecting real estate generally and Real Estate Entities in particular. In addition, investors should be aware that Real Estate Entities are subject to the risks of financing projects including refinancing risks associated

with variations in interest rates. Real Estate Entities are also subject to defaults by borrowers, self-liquidation, the market's perception of the Real Estate Entity industry generally, and the possibility of REITs failing to qualify for tax-free pass through of income under the Internal Revenue Code, and the requirement for Real Estate Entities to maintain exemption from the Investment Company Act of 1940. A default by a borrower or lessee may cause the Real Estate Entity to experience delays in enforcing its rights as mortgagee or lessor, incur significant costs related to protecting its investments and potentially to realize significant losses.

Mortgage Real Estate Entities will be subject to risks of borrower defaults, bankruptcies, fraud and losses and special hazard losses that are not covered by standard hazard insurance. Also, the costs of financing the mortgage loans could exceed the return on the mortgage loans. In the event of any default under mortgage loans held by a Real Estate Entity, it would bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal balance of the mortgage loan.

Commercial real estate loans are generally non-recourse, except for mezzanine loans, which typically have limited recourse provisions. In addition, limited recourse against the borrower may be further limited by applicable provisions of the laws of the jurisdiction in which the mortgaged properties are located or by the selection of remedies and the impact of those laws on that selection. With respect to non-recourse mortgage loans, in the event of a borrower default, the liquidation value of the specific mortgaged property and other assets, if any, pledged to secure the relevant mortgage loan, may be less than the amount owed under the mortgage loan. As to those mortgage loans that provide for recourse against the borrower and its assets generally, such recourse may not provide a recovery in respect of a defaulted mortgage loan greater than the liquidation value of the mortgaged property securing that mortgage loan. To the extent a mortgage Real Estate Entity makes bridge and mezzanine loans, it will be subject to greater risks of loss than senior loans. Other risks facing a mortgage Real Estate Entity are interest rate fluctuations, that may affect the value of assets and the net-income to the Real Estate Entity, including the cost of using short-term repurchase programs to finance loans and a decline in the market value of a mortgage Real Estate Entity, which could force such Real Estate Entity to sell assets under adverse market conditions.

Equity Real Estate Entities are less likely to be affected by interest rate fluctuations than mortgage Real Estate Entities and the nature of the underlying assets of an equity Real Estate Entity, *i.e.*, investments in real property, including without limitation, homes built for resale, may be considered more tangible than that of a mortgage Real Estate Entity. Equity Real Estate Entities are more likely to be adversely affected by decreases in the value of the underlying property it owns than mortgage Real Estate Entities.

Uninsured Losses. Real Estate Entities generally maintain comprehensive insurance on presently owned and subsequently acquired real property assets, including liability, fire and extended coverage. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes and floods or acts of war and terrorism, that may be uninsurable or not economically insurable, as to which the Real Estate Entities properties are at risk in their particular locales. The management of Real Estate Entity issuers use their discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to requiring appropriate insurance on their investments at a reasonable cost and on suitable terms. This may result in insurance coverage that in the event of a substantial loss would not be sufficient to pay the full current market value or current replacement cost of the lost investment. Inflation, changes in building codes, and ordinances, environmental considerations, and other factors also might make it infeasible to use insurance proceeds to replace a facility after it has been damaged or destroyed. Under such circumstances, the insurance proceeds received by Real Estate Entities might not be adequate to restore their economic position with respect to such property.

Environmental Liability. Under various federal, state, and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability whether or not the owner or operator caused or knew of the presence of such hazardous or toxic substances and whether or not the storage of such substances was in violation of a tenant's lease. In addition, the presence of hazardous or toxic substances, or the failure to remediate such property properly, may adversely affect the owner's ability to borrow using such real property as collateral. No assurance can be given that one or more of the Real Estate Entities issuing Corresponding Debentures or Subordinated Notes may not be presently liable or potentially liable for any such costs in connection with real estate assets they presently own or subsequently acquire.

Americans with Disabilities Act. Under the Americans with Disabilities Act of 1990 (the "ADA"), all public accommodations are required to meet certain federal requirements related to physical access and use by disabled persons. In the event that any of the Real Estate Entities issuing Corresponding Debentures or Subordinated Notes invest in or hold mortgages on real estate properties subject to the ADA, a determination that any such properties are not in compliance with the ADA could result in imposition of fines or an award of damages to private litigants. If any of the Real Estate Entities were required to make modifications to comply with the ADA, the Real Estate Entity's ability to make expected distributions to the Issuer could be adversely affected, thus adversely affecting the ability of the Issuer to make payments to holders of the Offered Securities.

Property Taxes. Real estate generally is subject to real property taxes. The real property taxes on the properties underlying Real Estate Entities may increase or decrease as property tax rates change and as the properties are assessed or reassessed by taxing authorities.

Real Estate Illiquidity. The real estate investments and holdings of Real Estate Entities are relatively illiquid. Therefore, the ability of the issuers of the Corresponding Debentures or Real Estate Entity Notes held by the Issuer to vary their portfolios in response to changes in economic and other conditions will be limited. There can be no assurance that any Real Estate Entity issuing a Corresponding Debenture, Senior Note or Subordinated Note will be able to dispose of its underlying real estate assets when it finds disposition advantageous or necessary or that the sale price of any disposition will recoup or exceed the amount of its investment.

Tax Treatment of REITs; Loss of REIT Status. A REIT is an entity (usually a corporation or trust) that satisfies certain qualification tests and has elected to be treated as a REIT for federal income tax purposes. The federal income tax rules relating to the qualification and taxation of REITs are highly technical and complex. Once an entity qualifies for taxation as a REIT and satisfies the requirements of Sections 856 through 860 of the Code, it will not be subject to United States federal corporate income taxes on the portion of its ordinary income or capital gain that it currently distributes to stockholders. A REIT is generally allowed to deduct dividends paid to its stockholders. This deduction for dividends substantially eliminates the "double taxation" (at the corporate and stockholder levels) that generally results from investment in a regular corporation. The major tests for REIT status are that the REIT (i) be managed by one or more trustees or directors, (ii) issue shares of transferable interests to its owners, (iii) have at least 100 shareholders, (iv) have no more than 50% of the shares held by five or fewer individuals, (v) invest substantially all of its capital in real estate related assets and derive substantially all of its gross income from real estate related assets and (vi) distribute at least 90% of its taxable income to its shareholders each year. If a REIT failed to qualify for taxation as a REIT in any taxable year and relief provisions did not apply, it would be subject to tax, including applicable alternative minimum tax, on its taxable income at regular corporate rates. Distributions to shareholders in any year in which a REIT fails to qualify as a REIT would not be deductible by the REIT, nor generally would distributions be required to be made by the REIT under the Code. Unless entitled to relief under specific statutory provisions, the REIT also would be disqualified from reelecting taxation as a REIT for the four taxable years following

the year during which REIT qualification was lost. As a result, the REIT's ability to make expected distributions to the Issuer could be adversely affected, thus adversely affecting the ability of the Issuer to make payments to holders of the Offered Securities.

Considerations relating to the Collateral

Trust Preferred Securities

General. The Collateral Debt Securities pledged to secure the Rated Notes and the Combination Notes (to the extent of the Class H Note Component) are expected to consist primarily of Trust Preferred Securities which meet the criteria necessary to qualify as a Collateral Debt Security and, at the time of purchase, satisfy the Eligibility Criteria applicable thereto. The Trust Preferred Securities are trust preferred securities that have characteristics that are common both to preferred stock and debt securities. For a description of the structure of the Trust Preferred Securities and the documentation related thereto, see "Security for the Rated Notes."

As a general matter (i) in the case of Trust Preferred Securities purchased upon original issuance thereof, the proceeds of the issuance of the Offered Securities will finance the purchase of all or a portion of the Trust Preferred Securities, either directly or indirectly, from each Trust Preferred Securities Issuer, which in turn will finance the purchase by that Trust Preferred Securities Issuer of the Corresponding Debentures from the applicable Real Estate Entity and (ii) in the case of Trust Preferred Securities purchased in the secondary market, proceeds of the issuance of the Offered Securities will finance the purchase of the Trust Preferred Securities from third party sellers. The availability of funds in the Collection Accounts to pay amounts payable with respect to the Offered Securities is dependent upon the frequency and amount of payments made by the Trust Preferred Securities Issuers, as well as by the applicable Real Estate Entities pursuant to their Corresponding Debentures. Certain risks associated with the frequency and amount of payments to be made by the Trust Preferred Securities Issuers and the Real Estate Entities.

Subordination of Real Estate Entities' Obligations under Corresponding Debentures. The only source of cash for each Trust Preferred Securities Issuer to make payments on its Trust Preferred Securities will be payments it receives from the related Real Estate Entity on the Corresponding Debentures. Obligations of a Real Estate Entity under its Corresponding Debentures generally are unsecured, subordinated and will rank junior in priority of payment to its Senior Indebtedness (as defined herein), whether now existing or hereafter incurred, and effectively will rank junior to all existing and future liabilities and obligations of its subsidiaries, if any. No payment of principal of, or premium, if any, or interest or any other payment due on, the related Corresponding Debentures may be made if (i) any Senior Indebtedness of the applicable Real Estate Entity is not paid when due and any applicable grace period with respect to such default is not cured or waived or ceases to exist or (ii) the maturity of any Senior Indebtedness of the applicable Real Estate Entity has been accelerated due to a default and such acceleration has not been rescinded or cancelled or such Senior Indebtedness had not been paid in full. In the event of the bankruptcy, liquidation or dissolution of a Real Estate Entity, its assets would be available to pay obligations under the Corresponding Debentures only after all payments have been made on its Senior Indebtedness. In addition, Real Estate Entities may be parties to agreements with holders of Senior Indebtedness that have the practical effect of further subordinating the rights of holders of the related Corresponding Debentures to such holders of Senior Indebtedness under certain circumstances.

The Trust Preferred Securities and the Corresponding Debentures generally will not limit the ability of the related Real Estate Entity or any of its subsidiaries to incur additional indebtedness, including indebtedness that ranks senior to the Corresponding Debentures.

Any right of a Real Estate Entity to receive assets of any of its subsidiaries upon their liquidation or reorganization (and the right of the holder(s) of the Corresponding Debentures to participate in those assets) will be effectively subordinated to the claims of that subsidiary's creditors (including trade creditors and depositors), except to the extent that such Real Estate Entity is itself recognized as a creditor of such subsidiary, in which case the claims of such Real Estate Entity would be subordinate to any security interests in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by such Real Estate Entity.

Payments on Trust Preferred Securities Are Entirely Dependent on Real Estate Entities Making Payments on Corresponding Debentures. The ability of a Trust Preferred Securities Issuer to pay timely distributions on, or other amounts payable upon redemption of, Trust Preferred Securities or upon liquidation of such Trust Preferred Securities Issuer is dependent upon the Real Estate Entity making the related payments on the Corresponding Debentures when due.

If a Real Estate Entity defaults on its obligation to pay principal of or interest on Corresponding Debentures the Trust Preferred Securities Issuer will not have sufficient funds to pay distributions or other amounts payable upon the redemption of the Trust Preferred Securities or upon liquidation of the Trust Preferred Securities Issuer.

In addition to the above, a default in the payment of principal of, or premium, if any, or interest on, or a deferral of interest payments on any Corresponding Debentures will decrease the amount of cash available to the Issuer to make payments on the Offered Securities and therefore may result in a default in the amount due on the Offered Securities, a deferral of interest on the Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes or Class H Notes or a smaller distribution, or no distribution, on the Income Notes, with holders thereof potentially incurring a loss on their investment.

Prospective purchasers of the Offered Securities should consider for themselves the likely level of defaults, the likely level and timing of recoveries and the likely levels of interest rates on the Trust Preferred Securities in the Trust Estate and the likely levels of interest rates during the terms of the Offered Securities.

There are Limitations Regarding the Enforcement of Certain Rights by Holders of Trust Preferred Securities. If an event of default under Corresponding Debentures occurs and is continuing, such event would also be an event of default under the Trust Preferred Securities related to such Corresponding Debentures. In that case, the holders of the Trust Preferred Securities may rely on the enforcement by the relevant trustee of its rights as holder of the Corresponding Debentures against the related Real Estate Entity. Generally, the holders of a majority in liquidation amount of the Trust Preferred Securities will have the right to direct the Trust Preferred Securities Issuer to exercise its remedies. If an event of default under the Trust Preferred Securities occurs that is attributable to a Real Estate Entity's failure to pay interest or principal on the Corresponding Debentures, any holder of the Trust Preferred Securities may proceed directly against such Real Estate Entity to collect its pro rata share of unpaid principal and interest. The holders of Trust Preferred Securities will not be able to exercise directly any other remedies available to the holders of the Corresponding Debentures unless the applicable trustee fails to do so.

A Real Estate Entity's Ability to Defer Interest Payments Has Consequences for Holders of Trust Preferred Securities and the Offered Securities. It is anticipated that on the Closing Date, one Real Estate Entity issuing Trust Preferred Securities will have deferral rights. So long as no event of default under the Corresponding Debentures has occurred and is continuing, such Real Estate Entity has the right, at one or more times, to defer interest payments on the Corresponding Debentures for up to four consecutive quarters, but not beyond the maturity date or date of earlier redemption of the Corresponding Debentures.

There can be no assurance that such Real Estate Entity will not in fact exercise their rights to defer interest payments as provided pursuant to the terms of the Corresponding Debentures.

If the Real Estate Entity defers interest payments on the Corresponding Debentures, the Trust Preferred Securities Issuer will also defer distributions on the related Trust Preferred Securities. While it is not expected that a deferral of interest payments by any one Real Estate Entity would have a material adverse effect on the ability of the Co-Issuers to pay current interest on the Rated Notes, such a deferral by a number of Real Estate Entities could have a material adverse effect on the ability of the Co-Issuers to pay current interest on the Rated Notes and could, therefore, result in an Event of Default. In addition, a Trust Preferred Security that is deferring interest as of the relevant date of determination will be treated as if it were a Defaulted Security. Therefore, the deferral of interest payments on Trust Preferred Securities could result in a failure to satisfy the requirements of one or more of the Coverage Tests which, in turn, would result in the early amortization of one or more Classes of Notes then outstanding until the relevant Coverage Tests are satisfied. The early amortization of such Classes of Notes would have the effect of diverting to such Classes cash flow which would otherwise have been available for distribution to the holders of the Class or Classes of Notes which are junior in priority of payment to such Classes of Notes, thereby delaying or reducing the payment of amounts with respect to such junior Class or Classes.

The deferral of interest payments on the Trust Preferred Securities will reduce the Issuer's cash available to make distributions to the holders of Income Notes but such reduction will not result in a corresponding reduction in the taxable income of the holders of Income Notes that are subject to U.S. federal income tax and that are treated as owning shares in a controlled foreign corporation or that are treated as owning shares in a passive foreign investment company and have made an election to treat their interest in such Income Notes as shares in a qualified electing fund. As a result, the share of the Issuer's income attributable to any holder of Income Notes may, on account of the deferral of interest payments on the Corresponding Debentures (and certain other factors), be greater than the distributions received by such holder. See "Certain Income Tax Considerations—Tax Treatment of U.S. Holders of Income Notes." The deferral of interest payments on the Trust Preferred Securities could also result in the deferral of payments of interest on the Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes or Class H Notes. See "Certain Income Tax Considerations—Tax Treatment of U.S. Holders of the Notes—Taxation of Interest Income."

Trust Preferred Securities and Corresponding Debentures May Be Redeemed at the Option of the Real Estate Entity. Generally, at the option of each Real Estate Entity, such Real Estate Entity's Corresponding Debentures may be redeemed, in whole or in part, prior to their stated maturities. The holders of the Offered Securities should assume that each Real Estate Entity will exercise its redemption option if it is able to refinance its obligations at a lower interest rate or it is otherwise beneficial to such Real Estate Entity to redeem the Corresponding Debentures. If the Corresponding Debentures are redeemed, the Trust Preferred Securities Issuer must redeem Trust Preferred Securities having an aggregate liquidation amount equal to the aggregate principal amount of Corresponding Debentures so redeemed. Any such redemption or any other disposition of Trust Preferred Securities will reduce the amount of Interest Proceeds available for distribution on the Income Notes (including the Income Note Component).

Trust Preferred Securities—Limited Voting Rights. A holder of Trust Preferred Securities (including the Issuer) will have limited voting rights relating primarily in connection with directing the activities of the Trust Preferred Securities Issuer as the holder of the Corresponding Debentures and will not be entitled to vote to appoint, remove or replace, or to increase or decrease the number of, trustees, which voting rights are vested in the holder of the common securities of the Trust Preferred Securities Issuer, except upon the occurrence of an event of default in connection with the Corresponding Debentures. Furthermore, because the Issuer may own less than 100% of the Principal Balance of the Trust Preferred Securities issued by a Trust Preferred Securities Issuer, the Issuer may not be able to

control any matters in respect of such Trust Preferred Securities as to which holders thereof are entitled to vote, give their consent or take action.

Trust Preferred Securities—Credit Risk and General Liquidity Considerations. Trust Preferred Securities are subject to credit, interest rate and liquidity risk. The Trust Preferred Securities may only be sold to, or purchased by, investors that are Qualified Institutional Buyers thus limiting the number of investors that may purchase such securities. Adverse changes in the financial condition or results of operations of a Real Estate Entity or in general economic conditions or both may impair its ability to make payments of principal of and interest on Corresponding Debentures. Debt obligations are also subject to liquidity risk and the risk of market price fluctuations. Adverse changes in the financial condition, results of operations or prospects of a Real Estate Entity may affect the liquidity of the market for its securities and may reduce the market price of such securities. In addition, changes in general economic conditions may affect the liquidity of the market for Trust Preferred Securities in general and may reduce the market prices of some or all of such securities.

Little or no publicly available information may be available with respect to privately placed Trust Preferred Securities, which Trust Preferred Securities are likely to comprise a substantial portion or most of the aggregate amount of Collateral Debt Securities.

If at any time the Trustee, in accordance with the terms of the Indenture, is instructed to sell or otherwise dispose of any Collateral Debt Securities, it may be difficult or impossible to sell or dispose of such securities in a timely manner, and it is unlikely that the proceeds will be equal to the unpaid principal thereof and interest thereon.

Additional Liquidity Considerations—Certain Adverse Consequences to Holders Upon Deferral of Interest on Trust Preferred Securities. If a Real Estate Entity exercises the right to defer interest payments, the market price of the Trust Preferred Securities may not fully reflect the value of accrued but unpaid interest on the Corresponding Debentures. Therefore, if the Issuer sells a Trust Preferred Security during an interest deferral period, the Issuer may receive a lower return on its investment than someone who continued to hold such Trust Preferred Security.

Additional Liquidity Considerations—Distribution of Corresponding Debentures. A Trust Preferred Securities Issuer may be terminated at any time before its expiration date at the option of the Real Estate Entity which, in some cases, requires that such termination does not result in a taxable event to holders of the related Trust Preferred Securities. As a result, and subject to the terms of the relevant declaration of trust or trust agreement, the Trust Preferred Securities Issuer may distribute the Corresponding Debentures to the holders of the Trust Preferred Securities and the common equity holders of the Trust Preferred Securities Issuer. In such a case, the Issuer would hold the Corresponding Debentures so distributed. However, there can be no assurance that a liquid trading market will develop in the Corresponding Debentures. The market prices for the Corresponding Debentures that may be distributed cannot be predicted with certainty. Accordingly, the Corresponding Debentures that are received upon a distribution thereof (or the Trust Preferred Securities held pending such a distribution) may trade at a discount to the price paid to purchase such Trust Preferred Securities.

Real Estate Entity Notes

General. A portion of the Collateral Debt Securities will consist of Senior Notes and Subordinated Notes. Senior Notes are senior debt obligations of Senior Note Issuers meeting the eligibility criteria described herein. Subordinated Notes will be debt securities issued by Subordinated Note Issuers that meet the applicable requirements set forth in the Eligibility Criteria. Subordinated Notes are subordinated to the claims of general creditors of the related Subordinated Note Issuers, including the claims of holders of senior debt obligations of Subordinated Note Issuers, and are unsecured. For a

description of the structure of the Real Estate Entity Notes and the documentation related thereto, see "Security for the Notes."

Investments in Real Estate Entity Notes involve special risks. See "Considerations Regarding Real Estate Entities" for risks related to Real Estate Entities. In particular, Real Estate Entities generally are permitted to invest solely in real estate or real estate related assets or make loans secured by real estate and are subject to the inherent risks associated with such investments or loans. Consequently, the financial condition of any Real Estate Entity may be affected by the risks described below with respect to commercial mortgage loans and mortgage-backed securities under "—Considerations relating to the Collateral—*Commercial Mortgage-Backed Securities*" and similar risks, including (i) risks of delinquency and foreclosure and risks of loss in the event thereof, (ii) the dependence upon the successful operation of and net income from real property or loans secured by real property, (iii) risks generally incident to interests in real property, including those described above, (iv) risks that may be presented by the type, use and location of a particular commercial property and (v) the difficulty of converting certain property to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable for any reason.

In addition, risks of Real Estate Entity Notes may include (among other risks) (i) limited liquidity and secondary market support, (ii) substantial market price volatility resulting from changes in prevailing interest rates, (iii) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates, (iv) the possibility that earnings of the Note Issuer may be insufficient to meet its debt service and (v) the declining creditworthiness and potential for insolvency of the Note Issuer during periods of rising interest rates and economic downturn. An economic downturn or an increase in interest rates could severely disrupt the market for Real Estate Entity Notes and adversely affect the value of outstanding Real Estate Entity Notes and the ability of the Note Issuers thereof to repay principal and interest.

Downward movements in interest rates could also adversely affect the performance of the Senior Notes. Real Estate Entity Notes may have call or redemption features that would permit the issuer thereof to repurchase the securities from the Issuer.

The Issuer may have difficulty disposing of certain Real Estate Entity Notes because of reduced secondary market liquidity for such securities. Reduced secondary market liquidity may have an adverse impact on market price and the Issuer's ability to dispose of particular issues when necessary to meet the Issuer's liquidity needs or in response to a specific economic event such as a deterioration in the creditworthiness of the issuer of such securities. Reduced secondary market liquidity for certain Real Estate Entity Notes also may make it more difficult for the Issuer to obtain accurate market quotations for purposes of valuing the Issuer's portfolio. Market quotations are generally available on many Real Estate Entity Notes only from a limited number of dealers and may not necessarily represent firm bids of such dealers of prices for actual sales.

Subordination of Subordinated Note Issuers' Obligations. Obligations of a Subordinated Note Issuer under its Subordinated Notes will be unsecured and will rank junior in priority of payment to its Senior Indebtedness (whether now existing or hereafter incurred) and effectively will rank junior to all existing and future liabilities and obligations of its subsidiaries, if any. Therefore, a Subordinated Note Issuer generally will not be able to make any payments of principal (including redemption payments) or interest on its Subordinated Notes or redeem, exchange, retire, purchase or otherwise acquire any Subordinated Notes if it defaults on a payment on its Senior Indebtedness or if the maturity of its Senior Indebtedness is accelerated. In the event of the bankruptcy, liquidation or dissolution of a Subordinated Note Issuer, its assets would be available to pay obligations under its Subordinated Notes only after all payments had been made on its Senior Indebtedness. In addition, a Subordinated Note Issuer may be a party to agreements with holders of its Senior Indebtedness that have the practical effect of further

subordinating the rights of holders of the related Subordinated Notes to such holders of Senior Indebtedness under certain circumstances.

Subordinated Notes will not limit the ability of the related Subordinated Note Issuer or any of its subsidiaries to incur additional indebtedness, including indebtedness that ranks senior to the Subordinated Notes.

Subordinated Notes are solely the obligations of the respective Subordinated Note Issuers and are neither obligations of, nor guaranteed by, any other entity.

Any right of a Subordinated Note Issuer to receive assets of any of its subsidiaries upon their liquidation or reorganization (and the right of the holder(s) of Subordinated Notes to participate in those assets) will be effectively subordinated to the claims of that subsidiary's creditors (including trade creditors and depositors), except to the extent that such Subordinated Note Issuer is itself recognized as a creditor of such subsidiary, in which case the claims of such Subordinated Note Issuer would be subordinate to any security interests in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by such Subordinated Note Issuer.

Upon the bankruptcy, liquidation or dissolution of a Subordinated Note Issuer, and subject to the applicable subordination provisions, generally the principal of and all unpaid interest on the Subordinated Notes of such Subordinated Note Issuer may be accelerated, by the holders of not less than 25% in aggregate principal amount of such Subordinated Notes. However, holders of Subordinated Notes will have no right to accelerate payment in the case of a default in the payment of principal of or interest on the Subordinated Notes or the performance of any other covenant contained in the Subordinated Notes or the indenture relating to the Subordinated Notes.

In addition to the above, a default in the payment of principal of, or premium, if any, or interest on, a Subordinated Note will decrease the amount of cash available to the Issuer to make payments on the Notes and therefore may result in a default in the amount due on the Rated Notes, a deferral of interest on the Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes and/or Class H Notes or a smaller distribution, or no distribution, on the Income Notes, with holders thereof potentially incurring a loss on their investment.

Prospective purchasers of the Offered Securities should consider for themselves the likely level of defaults, the likely level and timing of recoveries and the likely levels of interest rates on Subordinated Notes in the Trust Estate and the likely levels of interest rates during the terms of the Notes.

Subordinated Notes—Credit Risk and General Liquidity Considerations. Subordinated Notes are subject to credit, interest rate and liquidity risk. Adverse changes in the financial condition or results of operations of a Subordinated Note Issuer or in general economic conditions or both may impair its ability to make payments of principal of and interest on its Subordinated Notes. Debt obligations are also subject to liquidity risk and the risk of market price fluctuations. Adverse changes in the financial condition, results of operations or prospects of a Subordinated Note Issuer may affect the liquidity of the market for an issuer's securities and may reduce the market price of such securities. In addition, changes in general economic conditions may affect the liquidity of the market for Subordinated Notes in general and may reduce the market prices of some or all of such securities.

In addition to the above, Subordinated Notes acquired by the Issuer most likely will not be rated and, if any of such Subordinated Notes are rated, they may be rated below investment grade and will accordingly be subject to more risk than investment grade obligations. Such risks may include (among others): (i) limited liquidity and secondary market support, (ii) substantial market price volatility resulting from changes in prevailing interest rates, (iii) subordination to the prior claims of banks and other senior

lenders, (iv) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates, (v) the possibility that earnings of the issuer thereof may be insufficient to meet its debt service and (vi) the declining creditworthiness and potential for insolvency of the issuer thereof during periods of rising interest rates and economic downturn. An economic downturn or an increase in interest rates could severely disrupt the market for such Subordinated Notes and adversely affect the value of such Subordinated Notes and the ability of the issuers thereof to repay principal and interest.

Since Subordinated Notes most likely will not be rated or, if rated, may be rated below investment grade, the Subordinated Note Issuers may be highly leveraged and may not have more traditional methods of financing available to them. The risk associated with acquiring the securities of such issuers generally is greater than is the case with highly rated securities. For example, during an economic downturn or a sustained period of rising interest rates, issuers of such Subordinated Notes may be more likely to experience financial stress, especially if such issuers are highly leveraged. During such periods, timely service of debt obligations may also be adversely affected by specific issuer developments, or the issuer's inability to meet specific projected business forecasts or the unavailability of additional financing. The risk of loss due to default by the issuer is significantly greater for the holders of such Subordinated Notes because such securities may be unsecured and may be subordinated to other creditors of the issuer of such securities.

Downward movements in interest rates could also adversely affect the performance of the Subordinated Notes. Subordinated Notes may have call or redemption features that would permit the Subordinated Note Issuers to repurchase them from the Issuer prior to their stated maturities, including upon the occurrence of a Subordinated Note Special Event. If a call or redemption right is exercised by the issuer of such Subordinated Notes, the average life of the Notes will be impacted.

As a result of the limited liquidity of securities similar to Subordinated Notes that are not rated or that are rated below investment grade, their prices at times have experienced significant and rapid decline when a substantial number of holders decided to sell. In addition, the Issuer may have difficulty disposing of such Subordinated Notes because there may be a thin trading market for such securities. To the extent that a secondary trading market for such Subordinated Notes does exist, it is generally not as liquid as the secondary market for highly rated securities. Reduced secondary market liquidity may have an adverse impact on market price and the Issuer's ability to dispose of particular issues when required under the terms of the Indenture. If at any time the Trustee, in accordance with the terms of the Indenture, is instructed to sell or otherwise dispose of any Subordinated Notes, it may be difficult or impossible to sell or dispose of such securities in a timely manner, and it is unlikely that the proceeds will be equal to the unpaid principal thereof and interest thereon. Further, bankruptcy and similar laws applicable to a Subordinated Note Issuer may limit the amount of any recovery in respect of its Subordinated Notes if it is insolvent, and may also adversely affect the timing of receipt of any such recovery to which the Issuer may be entitled.

Considerations Regarding Subordinated Note Issuer. Certain criteria must be met on the Closing Date with respect to a Subordinated Note Issuer. See "Security for the Rated Notes—Portfolio Limitations." However, any such Subordinated Note Issuer is under no obligation to maintain such criteria after the Closing Date, and none of the Subordinated Note Issuers or any Placement Agent makes any representation to the contrary.

Commercial Mortgage-Backed Securities

General. CMBS are securities issued by entities (typically trusts) that are intended to qualify to elect for federal income tax purposes to be treated as real estate mortgage investment conduits ("REMICs"), and backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial

use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers. CMBS are subject to various risks, including general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry, changes in prevailing interest rates, period of adverse performance, lack of standardized terms, shorter maturities than residential mortgage loans and payment of all or substantially all of the principal only at maturity rather than regular amortization of principal. Additional risks may be presented by the type and use of a particular commercial property. Special risks are presented by hospitals, nursing homes, hospitality properties and certain other property types. Commercial property values and net operating income are subject to volatility, which may result in net operating income becoming insufficient to cover debt service on the related mortgage loan. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related real estate project rather than upon the liquidation value of the underlying real estate. Furthermore, the net operating income from and value of any commercial property is subject to various risks, including changes in general or local economic conditions and/or specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; and social unrest and civil disturbances. The value of commercial real estate is also subject to a number of laws, such as laws regarding environmental clean-up and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption. A commercial property may not readily be converted to an alternative use so that the liquidation value of any such commercial property may be substantially less than would be the case if such commercial property were readily adaptable to other uses. The exercise of remedies and successful realization of liquidation proceeds may be highly dependent on the performance of CMBS servicers or special servicers, of which there may be a limited number and which may have conflicts of interest. The federal income tax rules relating to the qualification of REMICs are highly technical and complex. If a CMBS Issuer should fail to continue to qualify for such tax status, the Issuer could be adversely affected by the resulting tax consequences.

General

Ramp-Up Ratings Confirmation Failure: Mandatory Redemption. The board of directors of the Issuer (the "Board") or a board member authorized to act on behalf of the Board, will notify or cause the Collateral Manager to notify each Rating Agency in writing of the occurrence of the Ramp-Up Completion Date within seven business days after the occurrence of the Ramp-Up Completion Date (such notice a "Ramp-Up Notice"). The Board or such authorized individual, will request or cause the Collateral Manager to request that each Rating Agency confirm within 30 days after receipt of a Ramp-Up Notice that it has not reduced or withdrawn the rating (including shadow, private or confidential ratings, if any) assigned by it on the Closing Date to any Class of Notes (such confirmation, together with any confirmation deemed to have been made in accordance with the following sentence, a "Ratings Confirmation"). The Issuer will be deemed to have obtained a confirmation of the ratings assigned by a Rating Agency (other than Standard & Poor's) on the Closing Date if (i) such Rating Agency does not notify the Issuer in writing within 30 days after receipt of a Ramp-Up Notice that any such rating (including shadow, private or confidential ratings, if any) has been reduced or withdrawn and (ii) all Coverage Tests and Collateral Quality Tests are satisfied on the Ramp-Up Completion Date. If the Issuer is unable to obtain a Ratings Confirmation from each Rating Agency (a "Ramp-Up Ratings Confirmation Failure"), on and after the Distribution Date in May 2007, the Issuer will be required to apply Uninvested Proceeds, and, to the extent that Uninvested Proceeds are insufficient, Interest Proceeds, and, to the extent that Interest Proceeds are insufficient, Principal Proceeds, in each case in accordance with the Priority of Payments, to the repayment of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes, *pro rata*, *sixth*, the Class E Notes, *pro rata*, *seventh,* the Class F Notes *eighth*, the Class G Notes and *ninth,* the Class H Notes as, and to the extent,

necessary to obtain a Ratings Confirmation from each Rating Agency. See "Description of the Rated Notes—Mandatory Redemption" and "—Priority of Payments."

Default Rates of Collateral Debt Securities; Acquisition of Collateral Prior to the Ramp-Up Completion Date. The Issuer is not aware of a central source for relevant data or standardized method for measuring default rates of securities similar to the CMBS, Trust Preferred Securities, Senior Notes or Subordinated Notes. Furthermore, past performance of securities similar to the Trust Preferred Securities is not necessarily indicative of the future performance of such securities, past performance of securities similar to the CMBS is not necessarily indicative of the future performance of such securities, past performance of securities similar to the Senior Notes is not necessarily indicative of the future performance of such securities and past performance of securities similar to the Subordinated Notes is not necessarily indicative of the future performance of such securities. In certain circumstances, it is possible that investors in some Classes of Offered Securities will not recover their original investment. Defaults and losses on Collateral Debt Securities will reduce the amounts that would otherwise have been available for payments in respect of the Notes. To the extent the effect of such defaults and losses is greater than the amount that would have been available for distributions in respect of the Income Notes, the holders of the Class H Notes will be directly affected before the holders of the Class G Notes, the holders of the Class G Notes will be directly affected before the holders of the Class F Notes, the holders of the Class F Notes will be directly affected before the holders of the Class E Notes, the holders of the Class E Notes will be directly affected before the holders of the Class D Notes, the holders of the Class D Notes will be directly affected before the holders of the Class C Notes, the holders of the Class C Notes will be directly affected before the holders of the Class B Notes, the holders of the Class B Notes will be directly affected before the holders of the Class A-2 Notes and the holders of the Class A-2 Notes will be directly affected before the holders of the Class A-1 Notes. The credit risk associated with the Collateral Debt Securities will be heightened to the extent the Collateral Debt Securities are concentrated in particular issuers that are adversely affected by the factors described in "—Nature of the Collateral," "Trust Preferred Securities—Credit Risk and General Liquidity Considerations," "Considerations Regarding Real Estate Entities," "Commercial Mortgage-Backed Securities," "Senior Notes" and "Subordinated Notes—Credit Risk and General Liquidity Considerations" above. The Collateral Debt Securities will be concentrated in one country and in one industry and therefore will be subject to a heightened level of risk of being adversely affected to the extent such country or industry is adversely affected by such factors. Prospective purchasers of the Notes should consider and assess for themselves the likely level of defaults and the likely level and timing of recoveries on the Collateral Debt Securities. In addition, a portion of the Collateral will be acquired by the Issuer after the Closing Date. While the Issuer will be permitted pursuant to the Indenture to purchase additional Collateral Debt Securities prior to the Ramp-Up Completion Date, the availability and terms of such securities is uncertain. In the event the Issuer acquires additional Collateral Debt Securities, the earnings with respect to such additional Collateral Debt Securities will depend, among other factors, on reinvestment rates available in the marketplace at the time and on the availability of investments that satisfy the eligibility criteria and are acceptable to the Collateral Manager. The need to satisfy such eligibility criteria and identify acceptable investments may require the purchase of additional Collateral Debt Securities having lower yields than those initially acquired or require that sale proceeds be maintained temporarily in cash or certain Eligible Investments, which may reduce the yield on the investment portfolio. Further, issuers of Collateral Debt Securities may be more likely to exercise any rights they may have to redeem such obligations when interest rates or spreads are declining. Any decrease in the yield on the Collateral Debt Securities will have the effect of reducing the amounts available to make payments of principal of and interest on the Rated Notes (including the Class H Note Component) and distributions on the Income Notes (including the Income Note Component).

Certain Payments Senior to Payments in Respect of Rated Notes. On each Distribution Date, in accordance with the priority of payment provisions described herein, certain collections on the Collateral

Debt Securities will be used to make certain payments free and clear of the lien of the Indenture, including payment of certain fees to the Collateral Manager, the Collateral Administrator, the Trustee and the Hedge Counterparty. To the extent that any such distributions are made rather than retained as additional collateral for the Rated Notes (including the interests therein represented by the Class H Note Component) the amounts so distributed will not be available to support payments of principal and interest subsequently payable in respect of such Rated Notes.

Market Changes in Interest Rates and Market Value. A portion of the Collateral Debt Securities securing the Rated Notes (including the interests therein represented by the Class H Note Component) may have fixed interest rates that remain constant until a specified date or their maturity, and a portion of the Collateral Debt Securities securing such Rated Notes will bear interest based on a fixed margin over a reference rate, which margin will generally remain constant until the maturity of such Collateral Debt Securities. Accordingly, the market value of the fixed rate Collateral Debt Securities will generally decrease as market rates of interest increase. The market value of the Collateral Debt Securities will also generally fluctuate with, among other things, general economic conditions, world political events, developments or trends in any particular industry, the conditions of financial markets and the financial condition, results of operations and prospects of the Collateral Debt Securities Issuers and the Real Estate Entities.

Certain Restrictions on Sale and Acquisition of Collateral Debt Securities. The Issuer is relying on Rule 3a-7 of the 1940 Act for an exemption from the 1940 Act. This exemption restricts the Issuer from disposing of any Defaulted Security, Equity Security or Credit Impaired Security or acquiring any Collateral Debt Security for the primary purpose of recognizing gains or decreasing losses resulting from market value changes. These trading restrictions mean that the Issuer may be required to hold a Defaulted Security, Equity Security or Credit Impaired Security when it should otherwise have been sold to minimize losses or prohibited from acquiring Collateral Debt Securities after the Closing Date and prior to the Ramp-Up Completion Date or after the Ramp-Up Completion Date. As a result, greater losses on the portfolio of Collateral Debt Securities may be sustained and there may be insufficient proceeds on any Distribution Date to pay in full any expenses of the Issuer or any amounts payable to the Trustee, the Collateral Administrator or the Hedge Counterparty (all of which amounts are payable prior to payments in respect of the Offered Securities) and the principal of and interest on the Rated Notes. See "Security for the Rated Notes—Disposition of Collateral Debt Securities" and "Security for the Rated Notes—Acquisition of Collateral Debt Securities Prior to the Ramp-Up Completion Date."

Concentration Risk. The Issuer will invest in a portfolio of Collateral Debt Securities consisting primarily of securities of Collateral Debt Securities Issuers in the real estate industry. Although on the Ramp-Up Completion Date no significant concentration with respect to any particular obligor in excess of an amount equal to 3.75% of the aggregate Principal Balance of all Collateral Debt Securities on the Ramp-Up Completion Date is expected to exist, the concentration of the portfolio in any one obligor would subject the Offered Securities to a greater degree of risk with respect to collateral defaults by such obligor, and the concentration of the portfolio in any one region would subject the Offered Securities to a greater degree of risk with respect to economic downturns relating to such region. See "Security for the Rated Notes—Collateral Debt Securities." In addition to the above, a material portion of the Collateral Debt Securities will be purchased following the Closing Date and, therefore, the concentration with respect to any particular obligor or any particular region on the Closing Date may be greater than such concentration on the Ramp-Up Completion Date. Such higher levels of concentration in a single obligor or in a single region on the Closing Date would subject the Offered Securities to a greater degree of risk with respect to collateral defaults by such obligor and to a greater degree of risk with respect to economic downturns relating to such region. As stated above, the Collateral Debt Securities will be concentrated in one country and in one industry and will therefore be subject to risk with respect to economic downturns relating to such country and such industry. Finally, the concentration with respect to any particular

obligor or any particular region may increase subsequent to the Closing Date and/or the Ramp-Up Completion Date. See "Security for the Rated Notes."

Furthermore, adverse developments with respect to the real estate industry in general may adversely affect the ratings on the Rated Notes and the Combination Notes, the ability of the Issuer and the Co-Issuer to make payments in respect of the Offered Securities and/or the market value of the Offered Securities.

Certain Conflicts of Interest

The activities of the Collateral Manager, the Placement Agents and their respective affiliates may result in certain conflicts of interest.

Conflicts of Interest Involving the Collateral Manager. Various potential and actual conflicts of interest may arise from the overall, advisory, investment and other activities engaged in by the Collateral Manager and its affiliates, including any affiliated broker-dealers, for their own accounts or for their respective client accounts. The Collateral Manager, its affiliates and their respective clients may invest in securities that would be appropriate as security for the Rated Notes, and they have no duty in making such investments to act in a way that is favorable to the Issuer, the holders of the Offered Securities. Such investments or purchases may be different from those made on behalf of the Issuer. The Collateral Manager and/or its affiliates may also have ongoing relationships with, render services to or engage in transactions with other issuers of collateralized debt obligations who invest in assets of a similar nature to those of the Issuer, and with companies whose securities are pledged to secure the Rated Notes, and may own equity or debt securities issued by issuers of and other obligors on Collateral Debt Securities. As a result, officers of affiliates of the Collateral Manager may possess information relating to issuers of Collateral Debt Securities which is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral Debt Securities and performing the other obligations under the Collateral Management Agreement. The Collateral Manager may in the future serve as collateral manager or advisor for other collateralized bond obligation vehicles and/or collateralized loan obligation vehicles (or similar entities). In addition, affiliates and clients of the Collateral Manager may invest in securities that are senior to, or have interests different from or adverse to, the securities that are pledged to secure the Rated Notes. The Collateral Manager and/or its affiliates may at certain times be simultaneously seeking to purchase or dispose of investments for their respective accounts, the Issuer, any similar entity for which it serves as manager or advisor and for its other clients or affiliates. Collateral Debt Securities purchased during the accumulation period and sold to the Issuer on the Closing Date will be purchased by the Issuer at a price determined as described below under "Purchase of Collateral Debt Securities; Warehousing Arrangements."

Neither the Collateral Manager nor any of its affiliates is generally under any obligation to offer investment opportunities of which they become aware to the Issuer or to account to the Issuer for (or share with the Issuer or inform the Issuer of) any such transaction or any benefit received by them from any such transaction or to inform the Issuer of any investments before offering any investments to other funds or accounts that the Collateral Manager and/or its affiliates manage or advise. Furthermore, the Collateral Manager and/or its affiliates generally may make an investment on behalf of any account that they manage or advise without offering the investment opportunity or making any investment on behalf of the Issuer. The Collateral Manager and/or its affiliates generally have no affirmative obligation to offer any investments to the Issuer or to inform the Issuer of any investments before offering any investments to other funds or accounts that the Collateral Manager and/or its affiliates manage or advise. Furthermore, the Collateral Manager and its affiliates generally may make an investment on their own behalf without offering the investment opportunity to, or the Collateral Manager making any investment on behalf of, the Issuer. Affirmative obligations may exist or may arise in the future, whereby the Collateral Manager and/or its affiliates are obligated to offer certain investments to funds or accounts that

they manage or advise before or without the Collateral Manager offering those investments to the Issuer. The Collateral Manager and its affiliates generally have no affirmative obligation to offer any investments to the Issuer or to inform the Issuer of any investments before engaging in any investments for themselves. The Collateral Manager may make investments on behalf of the Issuer in securities, or other assets, that it has declined to invest in for its own account, the account of any of its affiliates or the account of its other clients. The Collateral Manager will endeavor to resolve conflicts with respect to investment opportunities in a manner that it deems equitable under the facts and circumstances.

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

An affiliate of the Collateral Manager has committed to purchase on the Closing Date approximately 63% of the Income Notes and 51% of the ordinary shares of the Issuer. The Collateral Manager and/or its affiliates may also purchase all or a portion of one or more Classes of Notes. The Collateral Manager and/or its affiliates may also (for their own accounts or for the accounts of others) purchase additional Offered Securities at any time. In addition, upon the removal or resignation of the Collateral Manager, the holders of a majority of the aggregate outstanding principal amount of the Income Notes may appoint a replacement collateral manager which is not affiliated with Kodiak CDO Management so long as the holders of a majority in aggregate outstanding principal amount of each Class of Notes does not disapprove such replacement collateral manager. At all times that Kodiak CDO Management or any of its affiliates is acting as Collateral Manger, Offered Securities, if any, held by, or with respect to which discretionary voting rights are held by, Kodiak CDO Management and its affiliates will have no voting rights with respect to any vote in connection with the removal of the Collateral Manager and will be deemed not to be outstanding in connection with any such vote. However, any Offered Securities held by, or with respect to which discretionary voting rights are held by, Kodiak CDO Management and its affiliates or their respective employees will have voting rights with respect to all other matters as to which the holders of the Notes are entitled to vote, including, without limitation, any vote in connection with the appointment of a replacement collateral manager which is not affiliated with Kodiak CDO Management in accordance with the Collateral Management Agreement and in connection with an Optional Redemption. See "The Collateral Management Agreement."

Barclays Bank PLC ("Barclays Bank"), an affiliate of Barclays Capital Inc., has made advances, as a senior lender, under a warehouse facility (the "Warehouse Facility") to Kodiak Warehouse LLC, an affiliate of the Collateral Manager (the "Warehouse Entity"), pursuant to which Trust Preferred Securities identified by the Warehouse Entity were, from time to time acquired, and may in the future be acquired, for, among other purposes, sale to the Issuer. An affiliate of the Collateral Manager is a junior lender in the Warehouse Facility. To the extent such Trust Preferred Securities are sold to the Issuer, the proceeds of any such sale will be used to repay the Warehouse Facility, including the repayment of advances made by Barclays Bank under that facility. Any such sales of Trust Preferred Securities to the Issuer will be subject to the procedures described herein relating to such sales. See "Security for the Rated Notes—Acquisition of Collateral Debt Securities after the Closing Date."

The Collateral Manager may also effect client cross transactions where the Collateral Manager causes a transaction to be effected between the Issuer and another account advised by it or any of its affiliates. In addition, with prior authorization of the Issuer, which is to be given under the Collateral Management Agreement and can be revoked at any time, the Collateral Manager may enter into agency

cross transactions where it or any of its affiliates acts as broker for the Issuer and for the other party to the transaction, to the extent permitted by applicable law, in which case any such affiliate will receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to the transaction. By purchasing an Offered Security, a holder is deemed to have consented to the Collateral Manager effecting client cross transactions and agency cross transactions under the circumstances described herein and the procedures described herein relating to the principal transactions with the Collateral Manager and/or its affiliates. Also with the prior authorization of the Issuer and in accordance with Section 11(a) of the Exchange Act and regulation 11a2-2T thereunder (or any similar rule that may be adopted in the future), the Collateral Manager may effect transactions for the Issuer on a national securities exchange of which any of its affiliates is a member and retain commissions in connection therewith. Although the affiliates of the Collateral Manager anticipate that the commissions, mark-ups and mark-downs charged by the affiliates will generally be competitive, the Collateral Manager may have interests in such transactions that are adverse to those of the Issuer, such as an interest in obtaining favorable commission rates, mark-ups and mark-downs.

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

Conflicts of Interest Involving Barclays Capital Inc. Certain of the Collateral Debt Securities acquired or to be acquired by the Issuer will consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which Barclays Capital Inc. or an affiliate thereof has acted as underwriter, agent, placement agent or dealer (and Barclays Capital Inc. or an affiliate thereof may have received compensation therefor) or for which Barclays Capital Inc. or an affiliate thereof has acted as lender or provided other commercial or investment banking services. Barclays Capital Inc. or an affiliate thereof may structure issuers of Collateral Debt Securities and arrange to place such Collateral Debt Securities with the Issuer. Barclays Capital Inc. or an affiliate thereof may also act as counterparty with respect to one or more synthetic securities. In its role as counterparty with respect to synthetic securities, Barclays Capital Inc. or one of more of its affiliates may manage a pool of reference obligations with respect to the synthetic securities and make determinations regarding those reference obligations. In addition, an affiliate of Barclays Capital Inc. may act as Hedge Counterparty under one or more Hedge Agreements with the Issuer. Moreover, Barclays Capital Inc. or its affiliates may from time to time enter into derivative transactions with third parties with respect to the Offered Securities or with respect to Collateral Debt Securities acquired by the Issuer, and Barclays Capital Inc. or its affiliates may, in connection therewith, acquire (or establish long, short or derivative financial positions with respect to) Offered Securities, Collateral Debt Securities or one or more portfolios of financial assets similar to the portfolio of Collateral Debt Securities acquired by (or intended to be acquired by) the Issuer. Barclays Bank, an affiliate of Barclays Capital Inc., is a lender under the Warehouse Facility, as described above in the third preceding paragraph. These activities may create certain conflicts of interest, and there can be no assurance that the terms on which the Issuer entered into (or enters into) any of the foregoing transactions with Barclays Capital Inc. (or an affiliate thereof) were or are the most favorable terms available in the market at the time from other potential counterparties.

Other Risk Factors

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

Collateral Debt Securities will be used by the Collateral Manager only as a preliminary indicator of investment quality. Investments in non-investment grade and comparable unrated obligations will be more dependent on the Collateral Manager's credit analysis than would be the case with investments in investment-grade debt obligations.

Lack of Operating and Management History. The Co-Issuers were established in order to the issue the Offered Securities and acquire the Collateral Debt Securities (and for the other related purposes described herein). The Co-Issuers have no prior operating history. Accordingly, prospective investors in the Offered Securities cannot evaluate any prior performance history in making a decision whether or not to invest in the Offered Securities. The Collateral Manager also has no prior operating history and its senior executives do not have prior experience in managing or administering a pool of assets such as the Collateral Debt Securities. Accordingly, prospective investors cannot evaluate any prior performance history of the Collateral Manager or its senior executives in making a decision whether or not to invest in the Offered Securities

Dependence on Key Personnel. Because the composition of the Collateral Debt Securities will vary over time, the performance of the Collateral Debt Securities depends heavily on the skills of the Collateral Manager in analyzing and managing the Collateral Debt Securities. As a result, the Issuer will be highly dependent on the financial and managerial experience of the Collateral Manager and certain of its affiliates' respective employees to whom the task of managing the Collateral has been assigned. In the event that one or more of the investment professionals of the Collateral Manager or its affiliates were to leave the Collateral Manager or its affiliates, the Collateral Manager and/or its affiliates would have to reassign responsibilities internally and/or hire one or more replacement employees and such a loss could have a material adverse effect on the performance of the Issuer. See "The Collateral Management Agreement" and "The Collateral Manager."

Access to Key Services. EJF Capital, LLC owns a majority interest in Harbor Asset Management Company LLC, which in turn owns a majority interest in, and is the managing member of, the Collateral Manager. In April 2005, Emanuel J. Friedman, the principal owner of EJF Capital, LLC, received Wells notices from the Securities and Exchange commission ("SEC") and the National Association of Securities Dealers ("NASD") staff recommending that the SEC and the NASD bring a civil injunctive action and/or institute a public administrative proceeding or NASD disciplinary proceeding against Mr. Friedman for certain potential violations occurring in 2001, while Mr. Friedman was with Friedman Billings Ramsey Group, Inc., under the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, among other provisions, Sections 5 and 17 of the Securities Act and Sections 10(b) and 15 of the Exchange Act and Rule 10b-5 promulgated thereunder. Mr. Friedman is currently in negotiations with the SEC and NASD staff to resolve all pending matters. Mr. Friedman does not believe that the resolution of these pending matters will prevent him from performing his duties at EJF Capital, LLC at any time in the future. The Collateral Manager does not anticipate that Mr. Friedman will have direct involvement in the day-to-day operations of Harbor Asset Management Company LLC or the Collateral Manager. However, in the event Mr. Friedman is charged, he may be personally unavailable to perform his duties at EJF Capital, LLC and EJF Capital, LLC may have to re-assign responsibilities internally to individuals who do not have the same expertise and experience as Mr. Friedman. Such re-assignment could affect one or more employees of Harbor Asset Management Company LLC who are also associated with EJF Capital, LLC and could have a material adverse effect on the ability of Harbor Asset Management Company LLC to perform its duties as the managing member of the Collateral Manager. Further, in the event Mr. Friedman is charged, EJF Capital, LLC's capacity to provide further support to Harbor Asset Management Company LLC could be impaired and could have a material adverse effect on the ability of the Collateral Manager to perform its duties under the Collateral Management Agreement.

Confidentiality; Limitations on Available Information. In connection with the purchase of certain Collateral Debt Securities, the Issuer may be required to enter into one or more confidentiality agreements regarding certain information received with respect to the Trust Preferred Securities Issuers, the Note Issuers and/or certain other parties relating to such Collateral Debt Securities. As a result thereof, the ability of the Co-Issuers, or the Collateral Manager on behalf of the Co-Issuers, to provide certain information to holders regarding the Collateral Debt Securities may be restricted or limited. The Co-Issuers or the Collateral Manager on behalf of the Co-Issuers will be obligated to provide certain non-confidential information regarding the Collateral Debt Securities and the issuers thereof to holders upon their request therefor.

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

Some important factors that could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates, market, financial or legal uncertainties, the timing of acquisitions of Collateral Debt Securities, the occurrence, timing and frequency of defaults on the Collateral Debt Securities, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from the Collateral Debt Securities (particularly prior to the Ramp-Up Completion Date), defaults under Collateral Debt Securities, the availability of Collateral Debt Securities for purchase prior to the Ramp-Up Completion Date and the terms thereof, whether or not the Issuer enters into Hedge Agreements and the effectiveness of the Hedge Agreements, among others. In addition, after the Closing Date and prior to the Ramp-Up Completion Date, while the Issuer will be permitted to purchase additional Collateral Debt Securities, the ability of the Issuer to purchase securities will be limited such that the Issuer will be able to purchase only those securities permitted to be purchased in accordance with the Indenture and, if the Issuer is unable to effect such purchases in accordance with the terms of the Indenture, the Issuer will not be authorized to purchase any additional Collateral Debt Securities. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Collateral Manager, the Trustee, the Placement Agents or any of their respective affiliates or any other person or entity of the results that will actually be achieved.

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

1940 Act. None of the Issuer, the Co-Issuer or the Collateral has been registered with the United States Securities and Exchange Commission (the "SEC") as an investment company pursuant to the 1940 Act. The Co-Issuers have not so registered in reliance on an exemption from registration contained in Rule 3a-7 and/or Section 3(c)(7) thereof. Counsel for the Co-Issuers will opine, in connection with the issuance of the Offered Securities, that on the Closing Date the Co-Issuers are not an investment company required to be registered under the 1940 Act (assuming, for the purposes of such opinion, that the Offered Securities are sold in accordance with the terms of the Indenture, the Placement Agreement and, that the Collateral Manager manages the Collateral Debt Securities and other assets of the Issuer in accordance with the terms of the Collateral Management Agreement). No opinion or no-action position has been requested of the SEC.

If the SEC or a court of competent jurisdiction were to find that the Issuer or the Co-Issuer is required, but in violation of the 1940 Act had failed, to register as an investment company, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors in the Issuer or the Co-Issuer could sue the Issuer or the Co-Issuer, as the case may be, and recover any damages caused by the violation; and (iii) any contract to which the Issuer or the Co-Issuer, as the case may be, is a party that is made in or whose performance involves a violation of the 1940 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 1940 Act. Should the Issuer or the Co-Issuer be subjected to any or all of the foregoing, the Issuer or the Co-Issuer, as the case may be, would be materially adversely affected.

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

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Class A Note, Class B Note, Class C Note, Class D Note, Class E Note, Class F Note or Class G Note (or any other interest therein) (A) is a U.S. Person and (B) was not both a Qualified Purchaser and a Qualified Institutional Buyer at the time of its acquisition thereof, then either of the Co-Issuers may require, by notice to such holder, that such holder sell all of its right, title and interest in such Note (or interest therein) to a Person that is both a Qualified Purchaser and a Qualified Institutional Buyer with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Issuer, the Trustee (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's interest in such Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is both a Qualified Purchaser and a Qualified Institutional Buyer and (ii) pending such transfer, no further payments will be made in respect of such Note (or such interest therein) held by such beneficial owner.

In addition, the Indenture provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of a Class H Note (including the Class H Note Component) or Combination Note (or any interest therein) was not a Qualified Institutional Buyer (or, in the case of a U.S. Person, was not both a Qualified Purchaser and a Qualified Institutional Buyer) at the time of its acquisition thereof, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest in such Note or Combination Note (or interest therein) to a Person that is a Qualified Institutional Buyer (or, in the case of a U.S. Person, a Person that is both a Qualified Purchaser and a Qualified Institutional Buyer) with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Issuer, the Trustee (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's interest in such Note or Combination Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the

Uniform Commercial Code as in effect in the State of New York) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is a Qualified Institutional Buyer (or, in the case of a U.S. Person, both a Qualified Purchaser and a Qualified Institutional Buyer) and (ii) pending such transfer, no further payments will be made in respect of such Note or Combination Note held by such beneficial owner.

The Indenture further provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of Income Notes (or any interest therein) was not a Qualified Institutional Buyer or Rule 3a-7 Person at the time of its acquisition thereof (or in the case of a U.S. Person, was not both a Qualified Purchaser and either (x) a Qualified Institutional Buyer or (y) an Accredited Investor that is also a Rule 3a-7 Person), then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Income Notes (or interest therein) to a Person that is a Qualified Institutional Buyer or Rule 3a-7 Person (or in the case of a U.S. Person, that is both a Qualified Purchaser and either (x) a Qualified Institutional Buyer or (y) an Accredited Investor that is also a Rule 3a-7 Person), with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from either Co-Issuer, the Trustee (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's interest in such Income Notes to be transferred in a commercially reasonable sale (conducted by the Trustee (on behalf of and at the expense of the issuer) in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York) to a person that certifies to the Trustee, the Issuer and the Collateral Manager, in connection with such transfer, that such person is a Qualified Institutional Buyer or Rule 3a-7 Person (or, in the case of a U.S. Person, both a Qualified Purchaser and either (x) a Qualified Institutional Buyer or (y) an Accredited Investor that is also a Rule 3a-7 Person) and (ii) pending such transfer, no further payments will be made in respect of such Income Note held by such beneficial owner.

Purchase of Collateral Debt Securities; Warehousing Arrangements. Certain of the Collateral Debt Securities purchased by the Issuer on the Closing Date (and after the Closing Date but prior to the Ramp-Up Completion Date) will be purchased from a portfolio of Collateral Debt Securities held by Kodiak Warehouse LLC (the "Warehouse Entity") pursuant to the terms of the Warehouse Facility. The Warehouse Entity is an affiliate of the Collateral Manager. The Issuer will purchase Collateral Debt Securities from the Warehouse Entity only to the extent the Collateral Manager determines that such purchases are consistent with the investment guidelines and objectives of the Issuer, the restrictions contained in the Indenture and applicable law. All purchases of such Collateral Debt Securities by the Issuer on the Closing Date will be purchased at an arm's-length price determined by the Issuer, based upon advice of the Collateral Manager.

For a further discussion of the Warehouse Facility, see "Risk Factors—Certain Conflicts of Interest—Conflicts of Interest Involving the Collateral Manager" and "Security for the Rated Notes—Acquisition of Collateral Debt Securities Prior to the Ramp-Up Completion Date."

If the Warehouse Entity or an affiliate thereof were to become the subject of a case or proceeding under the United States Bankruptcy Code or another applicable insolvency law, the trustee in bankruptcy or other liquidator could assert that Collateral Debt Securities acquired from such entity are property of the insolvency estate of such entity. Property that the Warehouse Entity or such affiliate has pledged or assigned, or in which the Warehouse Entity or such affiliate has granted a security interest, as collateral security for the payment or performance of an obligation, would be property of the estate of the Warehouse Entity or such affiliate, as the case may be. Property that the Warehouse Entity or such affiliate has sold or absolutely assigned and transferred to another party, however, is not property of the estate of the Warehouse Entity or such affiliate. The Issuer does not expect that the purchase by the Issuer of Collateral Debt Securities, under the circumstances contemplated by this Offering Circular, will

be deemed to be a pledge or collateral assignment (as opposed to the sale or other absolute transfer of such Collateral Debt Securities to the Issuer).

Mandatory Repayment of the Rated Notes. If any Coverage Test applicable to a Class of Rated Notes or any Class of Rated Notes Subordinate to such Class is not satisfied as of a Determination Date, Interest Proceeds will be used to the extent that funds are available in accordance with the Priority of Payments and to the extent necessary to restore the relevant Coverage Test(s) to certain minimum required levels to repay principal of the Rated Notes sequentially in order of seniority in accordance with the Priority of Payments. The foregoing could result in an elimination, deferral or reduction in the payments in respect of interest or the principal repayments made to holders of the Income Notes (including the Income Note Component) and to the holders of one or more Classes of Rated Notes that are Subordinate to any other outstanding Class of Rated Notes, which could adversely impact the returns of such holders.

In the event of a Ramp-Up Ratings Confirmation Failure, as described under "Description of the Rated Notes—Mandatory Redemption," the Issuer will be required to apply, first, Uninvested Proceeds, second, Interest Proceeds and, third, Interest Proceeds to the repayment of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes, *pro rata*, *sixth,* the Class E Notes, *pro rata*, *seventh,* the Class F Notes, *eighth*, the Class G Notes and *ninth,* the Class H Notes, in accordance with the Priority of Payments as, and to the extent, necessary to obtain a Ratings Confirmation.

Auction Call Redemption. If the Rated Notes have not been redeemed in full prior to the Distribution Date occurring in August 2016 then an auction of the Collateral Debt Securities will be conducted in accordance with the terms of the Indenture and, *provided* that certain conditions are satisfied, the Collateral Debt Securities will be sold and the Rated Notes (and to the extent funds are available thereafter, the Income Notes) will be redeemed (in whole, but not in part) on such Distribution Date. If such conditions are not satisfied and the auction is not successfully conducted on such Distribution Date, the Collateral Manager will conduct auctions on a semi-annual basis until the Notes are redeemed in full. See "Description of the Rated Notes—Redemption Price" and "—Auction Call Redemption." The Hedge Agreements will terminate upon an Auction Call Redemption.

On the Distribution Date occurring in November 2016 and on each Distribution Date thereafter, 60% of the Interest Proceeds that would otherwise be released from the lien of the Indenture and distributed to the holders of the Income Notes will be applied to redeem the Rated Notes, in reverse order of seniority in accordance with the Priority of Payments. Because such redemption of the Rated Notes will reduce the amount available for distribution to holders of the Income Notes (including the Income Note Component), on and after the Distribution Date occurring in November 2016, until such time as the Rated Notes have been paid in full, the holders of the Income Notes will have a strong incentive to require that the Rated Notes be redeemed on or prior to such Distribution Date.

Optional Redemption. Subject to satisfaction of certain conditions, the holders of a majority of the aggregate outstanding principal amount of the Income Notes may require that the Rated Notes (including the Class H Note Component) be redeemed in whole and not in part as described under "Description of the Rated Notes—Optional Redemption"; *provided,* that such optional redemption may only occur on any Distribution Date occurring on or after the Distribution Date occurring in August 2010. See "Description of the Rated Notes—Optional Redemption and Tax Redemption." The Hedge Agreements will terminate upon any Optional Redemption.

An Optional Redemption may require the Collateral Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the Collateral Debt Securities sold. Moreover, the Collateral Manager may be required in an Optional Redemption to

aggregate Collateral Debt Securities to be sold together in one block transaction, thereby possibly resulting in a lower realized value for the Collateral Debt Securities sold. There can be no assurance that there would be any net proceeds available for distribution to holders of the Income Notes.

Tax Redemption. Subject to satisfaction of certain conditions, upon the occurrence of a Tax Event, the Issuer may redeem the Rated Notes (including the Class H Note Component), in whole but not in part, on any Distribution Date at the direction of the holders of a majority of the aggregate outstanding principal amount of the Income Notes or a majority in aggregate outstanding principal amount of the Affected Class of Notes, and only from (a) the sale proceeds of the Collateral and (b) all other funds in the Interest Collection Account, Principal Collection Account and the Payment Account on such Distribution Date, at the direction of holders of a majority in aggregate outstanding principal amount of any Affected Class of Notes, at the applicable Redemption Price. No Tax Redemption may be effected, however, unless (i) all sale proceeds under clause (a) above are used to make such Tax Redemption, (ii) a Tax Event shall have occurred and (iii) the Tax Materiality Condition is satisfied. See "Description of the Rated Notes—Optional Redemption and Tax Redemption." The Hedge Agreements will terminate upon any Tax Redemption.

Interest Rate Risk. The Class D-1 Notes (prior to the Distribution Date in August 2016), the Class D-2 Notes (prior to the Distribution Date in August 2010) and the Class E-1 Notes (prior to the Distribution Date in August 2010) bear interest at fixed rates and at rates based on LIBOR thereafter. The other Rated Notes bear interest at rates based on LIBOR. The Collateral Debt Securities will include obligations that bear interest primarily at fixed rates while a portion of the Collateral Debt Securities will bear interest at floating rate that are not the same as the rate or rates on the Notes. In addition, a portion of the Collateral Debt Securities may bear interest at a fixed rate for a specified period of time and then bear interest at a floating rate until their maturity. Accordingly, the Rated Notes are subject to interest rate risk to the extent that there is an interest rate mismatch between the rates at which interest accrues on the Rated Notes and the rates at which interest accrues on the Collateral Debt Securities. In addition, any payments of principal of or interest on Collateral Debt Securities received during a Due Period will be reinvested in Eligible Investments maturing not later than the Business Day immediately preceding the next Distribution Date. There is no requirement that Eligible Investments bear interest at LIBOR, and the interest rates available for Eligible Investments are inherently uncertain. As a result of these mismatches, an increase in LIBOR could adversely impact the ability of the Issuer to make payments on the Rated Notes (including by reason of a decline in the value of previously issued fixed rate Collateral Debt Securities as LIBOR increases). The Issuer will on the Closing Date, and may at any time prior to the Ramp-Up Completion Date, enter into one or more Hedge Agreements to mitigate the mismatch between the floating rate of interest on the Rated Notes and the fixed rate portion of the Collateral Debt Securities and/or the mismatch between the fixed rate of interest on the Class D-1 Notes, Class D-2 Notes and Class E-1 Notes (for the respective periods that they bear fixed interest rates) and the floating rate portion of the Collateral Debt Securities. Additionally, the Issuer may at any time or from time to time after the Closing Date and at any time prior to the Ramp-Up Completion Date, enter into or terminate (in whole or in part) one or more other Hedge Agreements in order to reduce the impact of the floating rate interest mismatches and interest payment timing mismatches upon the Issuer, subject (in each case) to the satisfaction of the Rating Condition by Standard & Poor's and Moody's and any required consents of existing Hedge Counterparties. However, there can be no assurance that the Collateral Debt Securities and Eligible Investments, together with the Hedge Agreements, will generate sufficient Interest Proceeds to make timely payments of interest on the Rated Notes or to make any distributions on the Income Notes. Moreover, the benefits of the Hedge Agreements may not be achieved in the event of the early termination of the Hedge Agreements, including termination upon the failure of the Hedge Counterparty to perform its obligations thereunder. See "Security for the Rated Notes—The Hedge Agreements."

Subject to satisfaction of the Rating Condition by Standard & Poor's and Moody's with respect to such reduction, the Collateral Manager may on any Distribution Date direct the Issuer to reduce the

notional amount of any interest rate swap or cap outstanding under any Hedge Agreement. In the event of any such reduction, the Hedge Counterparty or the Issuer may be required to make a termination payment in respect of such reduction to the other party. Any such termination payment could be substantial. See "Security for the Rated Notes—The Hedge Agreements."

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

The average life of each Class of Notes will be affected by the financial condition of the issuers of the Collateral Debt Securities and the characteristics of the Collateral Debt Securities, including the existence and frequency of exercise of any redemption or sinking fund features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Securities, the frequency of tender or exchange offers for the Collateral Debt Securities and any sales of Collateral Debt Securities and any dividends or other distributions received in respect of Equity Securities. See "Maturity, Prepayment and Yield Considerations" and "Security for the Rated Notes."

Distributions on the Income Notes; Investment Term; Non-Petition Agreement. Prior to the payment in full of the Rated Notes and all other amounts owing under the Indenture, holders of the Income Notes will be entitled to receive distributions only to the extent permissible under the Indenture (as described herein). The timing and amount of distributions payable to holders of the Income Notes and the duration of the holders of the Income Notes' investment in the Issuer therefore will be affected by the average life of the Rated Notes. Each initial purchaser of Income Notes will be deemed to covenant, and each transferee of Income Notes will be deemed to covenant, that it will not cause the filing of a petition in bankruptcy against the Issuer before one year and one day have elapsed since the payment in full of the Rated Notes or, if longer, the applicable preference period then in effect. In addition, each initial purchaser of a Rated Note (other than the Controlling Class of Notes) and each transferee thereof will be deemed to covenant and agree not to cause the filing of a petition for winding up on a petition in bankruptcy against the Issuer before a period equal to one year and one day has elapsed since the final payment to the holders of each Class of Rated Notes (or the holders of the Combination Notes in respect of the Note Components) senior to the Class of Rated Notes or Combination Note held by such holder or, if longer, the applicable preference period then in effect, including any period established pursuant to the laws of the Cayman Islands. If such provision failed to be enforceable under applicable bankruptcy laws, then the filing of such a petition could result in one or more payments on the Notes made during the period prior to such filing being deemed to be preferential transfers subject to avoidance by the bankruptcy trustee or similar official exercising authority with respect to the Issuer's bankruptcy estate.

Adverse Effect of Determination of U.S. Trade or Business. Prior to the issuance of the Offered Notes, the Issuer will receive an opinion from Mayer, Brown, Rowe & Maw LLP, special U.S. federal tax counsel to the Issuer, to the effect that, in its judgment, although the transaction described herein has not been the subject of any U.S. Treasury regulation, revenue ruling or judicial decision and involves facts differing in some respects from other offerings of collateralized debt securities and although the matter is not free from doubt, the Issuer will not be treated as engaged in the conduct of a United States trade or business and, consequently, the Issuer's profits will not be subject to United States federal income tax on a net income basis (including the branch profits tax). See "Certain Income Tax Considerations" and the Notice Pursuant to IRS Circular 230 contained therein. The opinion is based on the assumption that the Issuer and other transaction parties will comply with the terms of the Indenture, the Collateral Management Agreement and the other transaction documents, as well as the accuracy of certain assumptions (including as to the accuracy of any other opinions relied upon by the Issuer in connection with its acquisition of Collateral Debt Securities) and certain representations and agreements of such parties. The opinion will represent only special tax counsel's professional judgment, and is not binding

on the Internal Revenue Service. There can be no assurance that the Internal Revenue Service would not assert a contrary position. If, notwithstanding special tax counsel's opinion, it were 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 U.S. Internal Revenue Code to the regular corporate income tax on such effectively connected taxable income and to the 30% branch profits tax as well. Such taxes would reduce the amounts available to make payments on the Offered Securities. There can be no assurance that in such circumstance remaining payments on the Collateral Debt Securities would be sufficient to make timely payments of interest on, and payment of principal at the applicable Stated Maturity of, the Rated Notes (and Note Components) or payment of any amounts in redemption of the Income Notes (and Income Note Components). In addition, interest paid on the Rated Notes (and Note Components) and distributions paid with respect to the Income Notes (and Income Note Components) to a holder that is not a U.S. holder could in such circumstance be subject to a 30% United States withholding tax.

Changes in Tax Law; Withholding on the Collateral Debt Securities. Although a limited amount of Collateral Debt Securities not to exceed 20% of the aggregate Principal Balance of Collateral Debt Securities as of the Ramp-Up Completion Date may not have been issued with opinions rendered to such effect, the Issuer reasonably believes that, for U.S. federal income tax purposes, the Collateral Debt Securities (or in the case of Trust Preferred Securities, the Corresponding Debentures in which the Issuer will be considered the owner of a *pro rata* undivided interest) (i) will be treated as indebtedness and (ii) generally will be exempt from U.S. withholding tax. If any of the Collateral Debt Securities (or in the case of Trust Preferred Securities, Corresponding Debentures) do not constitute indebtedness for U.S. federal income tax purposes, the Issuer expects that payments of interest (and possibly other payments) on Collateral Debt Securities (or in the case of Trust Preferred Securities, Corresponding Debentures), as the case may be, would be subject to a 30% U.S. withholding tax and could possibly subject U.S. holders of Income Notes to other adverse U.S. tax consequences. There can be no assurance that payments on the Collateral Debt Securities 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 otherwise. In the event of imposition of such withholding tax, it is not anticipated that any gross-up payments will be made to compensate for such taxes, unless, in the case of Trust Preferred Securities, such imposition results from a change in law. The application of any withholding tax to payments on the Collateral Debt Securities therefore would reduce the amounts available to make payments on the Offered Securities. In such event, there can be no assurance that the remaining payments on the Collateral Debt Securities would be sufficient to make timely payments of interest on and payment of principal at the applicable Stated Maturity of the Rated Notes or to make distributions on and redemptions of the Income Notes. The imposition of withholding taxes on payments on the Collateral Debt Securities or determination of the non-debt status of the Collateral Debt Securities (or in the case of Trust Preferred Securities, Corresponding Debentures) could result in the occurrence of a Tax Event, in which event the Notes may be redeemed in whole but not in part, at the applicable redemption price set forth herein, at the direction of the holders of a majority of the aggregate outstanding principal amount of the Income Notes or the Affected Class of Notes, as described under "Description of the Rated Notes—Optional Redemption and Tax Redemption."

Withholding on the Offered Securities. The Issuer expects that payments of principal and interest by the Issuer in respect of the Rated Notes and distributions in respect of the Income Notes will not be subject to any withholding tax in the Cayman Islands, the United States or any other jurisdiction. See "Certain Income Tax Considerations." In the event that withholding or deduction of any taxes from payments of principal or interest in respect of the Rated Notes or distributions in respect of the Income Notes is required by law in any jurisdiction, neither of the Co-Issuers shall be under any obligation to make any additional payments to the holders of any Offered Securities in respect of such withholding or deduction.

ERISA Considerations. Each purchaser and transferee of a Class A Note, Class B Note, Class C Note, Class D Note, Class E Note, Class F Note or Class G Note (or an interest in any of the foregoing) will be deemed to represent and warrant either that (a) it is not (and for so long as it holds such Note will not be), and is not acting on behalf of (and for so long as it holds such Note will not be acting on behalf of), an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, a "plan" described in Section 4975(e)(1) of the Code, an entity which is deemed to hold plan assets of any of the foregoing by reason of investment by an employee benefit plan or plan in such entity or a foreign, church or governmental plan which is subject to any applicable law that is substantially similar to ERISA or Section 4975 of the Code, or (b) its purchase, ownership and disposition of such Note will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a foreign, church or governmental plan, any substantially similar applicable law).

Each purchaser and transferee of a Class H Note, Combination Note or Income Note (or an interest in any of the foregoing) that is a foreign, church or governmental plan will be deemed to represent and warrant that its acquisition, holding and disposition of such Note (or interest therein) will not result in a nonexempt prohibited transaction under, or a violation of, any applicable law that is substantially similar to ERISA or Section 4975 of the Code.

Each purchaser and transferee of a Class H Note (or an interest therein) will be deemed to represent and warrant that it is not (and for so long as it holds such Note will not be), and is not acting on behalf of (and for so long as it holds such Note will not be acting on behalf of), a Benefit Plan Investor.

Each purchaser or transferee of a Combination Note (or an interest therein) will be deemed to represent and warrant that it is not (and for so long as it holds such Combination Note will not be), and is not acting on behalf of (and for so long as it holds such Combination Note will not be acting on behalf of), a Benefit Plan Investor or a Controlling Person.

The acquisition by an initial purchaser of an Income Note (or an interest therein) by, or on behalf of, or with the assets of (a) a Benefit Plan Investor or (b) a Controlling Person will not be effective, and the Issuer will not recognize such acquisition, if such acquisition would result in (a) Benefit Plan Investors owing 25% or more of the Income Notes (including the Income Note Component of any Combination Note) (determined pursuant to 29 C.F.R. Section 2510.3-101 and Section 3(42) of ERISA) or (b) a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

No transferee of an Income Note may be a Benefit Plan Investor or a Controlling Person. Each initial purchaser of an Income Note (or an interest therein) represents, warrants and covenants that it will not transfer such Income Note without providing the Trustee with a written certification for the benefit of the Trustee and the Issuer from its transferee that such transferee is not (and for so long as it holds such Income Note will not be), and it is not acting on behalf of (and for so long as it holds such Income Note will not be acting on behalf of), a Benefit Plan Investor or a Controlling Person and that such transferee will obtain the same representation, warranty and covenant from its transferee.

See "Certain ERISA Considerations" herein for a more detailed discussion of certain ERISA and related considerations with respect to an investment in the Offered Securities.

Trust Preferred Securities Accounting Treatment. Prospective investors should consult their own accounting advisors concerning the accounting treatment that would be given to any Offered Security held by such investors, and any other consequences that investing in Offered Securities may have on the accounting treatment of such entities. Recent accounting developments may impact whether or not certain holders of Offered Securities are required to consolidate certain assets and liabilities on their financial statements.

In January 2003, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities and, in December 2003, FASB issued a revised version of such interpretation (collectively, "FIN 46"). Interpreting FIN 46, most accounting authorities have apparently concluded that, under generally accepted accounting principles, affiliated sponsor companies (such as Real Estate Entities) of trusts issuing trust preferred securities must deconsolidate such trusts in such companies' financial statements. As a consequence, an affiliated sponsor (such as a Real Estate Entity) may no longer reflect on its balance sheet the trust preferred securities issued out of the trust, but instead must reflect the underlying subordinated debentures that the holding company issued to the deconsolidated trust. The FASB also issued Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liability and Equity ("FAS 150"), which provides accounting guidance for the appropriate financial reporting balance sheet classification of trust preferred securities. Certain Real Estate Entities may not have accounted for previous trust preferred issuances as debt. Accordingly, the FAS 150 requirement to treat trust preferred issuances by such Real Estate Entities as debt will increase the leverage identified on their financing statements, which may, among other matters, have an adverse impact on their ability to borrow under their credit facilities.

European Union Transparency Directive. The European Union is currently evaluating and considering the adoption of a "Transparency Directive," which directive, if adopted, could impose financial reporting requirements on the Issuer. At the current time, neither the final form of the Transparency Directive nor the final form of the implementing rules to be adopted by any European Union member country is known. It is anticipated, however, that the Transparency Directive and the rules implementing such directive will require, at a minimum, the delivery of semi-annual and annual financial reports prepared in accordance with International Accounting Standards or other equivalent accounting standards. While the Indenture will require that certain reports be prepared regarding the Issuer, there can be no assurance that such reporting will meet the requirements of the Transparency Directive and, therefore, additional reporting may be required. If the Issuer were to become subject to additional reporting requirements, the Issuer would incur certain costs and expenses that it would not otherwise incur. Such costs will be included as administrative expenses of the Issuer and will reduce the amount of funds otherwise available to the holders of the Offered Securities (subject to the terms of the Priority of Payments).

The "Transparency Directive" means Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a Regulated Market and amending Directive 2001/34/EC.

USA PATRIOT Act—Money Laundering and Terrorism Prevention. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), signed into law on and 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 (the "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 Co-Issuers. It is possible that there could be promulgated legislation or regulations that would require the Issuer, the Co-Issuer or any of the Placement Agents or other service providers to the Co-Issuers, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the Offered Securities. Such legislation and/or regulations could require the Co-Issuers to implement additional restrictions on the transfer of the Offered Securities. The Co-Issuers reserve the right to request such information as is

necessary to verify the identity of investors in the Offered Securities and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by Financial Crimes Enforcement Network and/or the SEC or as is required under any anti-money laundering legislation and regulation of the Cayman Islands. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of Offered Securities and the subscription monies relating thereto may be refused. See "Anti-Money Laundering and Anti-Terrorism Requirements and Disclosures."

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

DESCRIPTION OF THE RATED NOTES

The Rated Notes will be issued pursuant to the Indenture. The following summary describes certain provisions of the Rated Notes and the Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture. Copies of the Indenture may be obtained by prospective investors upon request to the Trustee at JPMorgan Chase Tower, 600 Travis Street, 50th Floor, Houston, Texas 77002, Attention: Worldwide Securities Services – KODIAK CDO I, LTD. or to the Irish Paying Agent at RSM Robson Rhodes LLP, RSM House, Herbert Street, Dublin 2, Ireland if and for so long as any Rated Notes are listed on the Irish Stock Exchange.

Status and Security

The Rated Notes other than the Class H Notes will be non-recourse debt obligations of the Co-Issuers and the Class H Notes will be non-recourse debt obligations of the Issuer. All of the Class A-1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B Notes are entitled to receive payments *pari passu* among themselves, all of the Class C Notes are entitled to receive payments *pari passu* among themselves, all of the Class D Notes are entitled to receive payments *pari passu* among themselves, all of the Class E Notes are entitled to receive payments *pari passu* among themselves, all of the Class F Notes are entitled to receive payments *pari passu* among themselves, all of the Class G Notes are entitled to receive payments *pari passu* among themselves and all of the Class H Notes are entitled to receive payments *pari passu* among themselves. Except as otherwise described herein, the relative order of seniority of payment of each Class of Notes is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes, *fourth*, Class C Notes, *fifth*, the Class D Notes, *pro rata*, *sixth*, the Class E Notes, *pro rata*, *seventh*, the Class F Notes, *eighth*, the Class G Notes and *ninth*, the Class H Notes, with (a) each Class of Rated Notes (other than the Class H Notes) in such list being "Senior" to each other Class of Rated Notes that follows such Class of Rated Notes in such list and (b) each Class of Rated Notes (other than the Class A-1 Notes) being "Subordinate" to each other Class of Rated Notes that precedes such Class of Rated Notes. No payment of interest on any Class of Rated Notes will be made until all accrued and unpaid interest on the Rated Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. Except as otherwise described herein, no payment of principal of any Class of Rated Notes will be made until all principal of, and all accrued and unpaid interest on, the Rated Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Rated Notes—Priority of Payments."

Under the terms of the Indenture, the Issuer will grant to the Trustee for the benefit of the Secured Parties a first priority security interest in the Collateral described herein to secure the Issuer's obligations under the Indenture and the Rated Notes.

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

Interest

The holders of the Class A-1 Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 0.36%. The holders of the Class A-2 Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 0.48%. The holders of the Class B Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 0.65%.

The holders of the Class C Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 0.90%. The Holders of the Class D-1 Notes will be entitled to receive interest at a fixed rate per annum equal to 6.549% for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2016 and a floating rate per annum equal to three-month LIBOR plus 1.20% thereafter. The Holders of the Class D-2 Notes will be entitled to receive interest at a fixed rate per annum equal to 6.425% for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010 and a floating rate per annum equal to three-month LIBOR plus 1.20% thereafter. The holders of the Class D-3 Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 1.20%. The Holders of the Class E-1 Notes will be entitled to receive interest at a fixed rate per annum equal to 6.721% for the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010 and a floating rate per annum equal to three-month LIBOR plus 1.50% thereafter. The holders of the Class E-2 Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 1.50%. The holders of the Class F Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 2.20%. The holders of the Class G Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 3.50%. The holders of the Class H Notes will be entitled to receive interest at a floating rate per annum equal to LIBOR plus 5.00%. Interest on the Rated Notes will be computed on the basis of a 360-day year and the actual number of days elapsed; provided that interest on the Class D-1 Notes, the Class D-2 Notes and the Class E-1 Notes, at all times that such Notes bear interest at a fixed rate, will be computed on the basis of a 360-day year of twelve 30-day months.

Interest will accrue on the outstanding principal amount of each Class of Rated Notes (determined as of the first day of each Interest Period and after giving effect to any redemption or other payment of principal occurring on such day) from the Closing Date. Interest accruing for any Interest Period will accrue for the period from and including the first day of such Interest Period to and including the last day of such Interest Period. In the event that any date identified as a Distribution Date (other than a Redemption Date or at Stated Maturity) falls on a day other than a Business Day, the Distribution Date shall be deemed to be the next succeeding Business Day and (i) with respect to any Rated Notes, other than as set forth in clause (ii) below, interest shall accrue on such payment for the period from and after such date that was identified as a Distribution Date to such next succeeding Business Day and (ii) with respect to the Class D-1 Notes (prior to the Distribution Date in August 2016), the Class D-2 Notes (prior to the Distribution Date in August 2010) and the Class E-1 Notes (prior to the Distribution Date in August 2010), no interest shall accrue on such payment for the period from and after such date that was identified as a Distribution Date to such next succeeding Business Day.

Payments of interest on the Rated Notes will be payable in U.S. dollars quarterly in arrears on each February 7, May 7, August 7 and November 7, commencing February 7, 2007 (each a "Distribution Date")*; provided,* that (i) the final Distribution Date with respect to the Notes shall be August 7, 2037, and (ii) if any such date is not a Business Day, the relevant Distribution Date will be the next succeeding Business Day.

So long as any Class of Notes is outstanding, if any Coverage Test applicable to such Class of Notes is not satisfied on any Determination Date relating to any Distribution Date, then funds that would otherwise be used to make payments in respect of interest on any Class of Notes Subordinate to such Class will be used instead to redeem, *first*, each Class (if any) of Notes Senior to such Class of Notes (sequentially in order of seniority in accordance with the Priority of Payments) and, *second*, such Class of Notes, until each applicable Coverage Test is satisfied. See "Description of the Rated Notes—Priority of Payments."

Any interest on the Class C Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class C Deferred Interest");

provided, that no accrued interest on the Class C Notes shall become Class C Deferred Interest unless a more Senior Class of Notes is then outstanding. Any interest so deferred will be added to the aggregate outstanding principal amount of the Class C Notes and thereafter interest will accrue on the aggregate outstanding principal amount of the Class C Notes, as so increased. So long as any Class A-1 Notes, Class A-2 Notes or Class B Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class C Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Unless otherwise specified herein, any reference to the principal amount of a Class C Note includes any Class C Deferred Interest added thereto. Upon the payment of Class C Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class C Notes will be reduced by the amount of such payment.

Any interest on the Class D Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class D Deferred Interest"); *provided*, that no accrued interest on the Class D Notes shall become Class D Deferred Interest unless a more Senior Class of Notes is then outstanding. Any interest so deferred will be added to the aggregate outstanding principal amount of the Class D Notes and thereafter interest will accrue on the aggregate outstanding principal amount of the Class D Notes, as so increased. So long as any Class A-1 Notes, Class A-2 Notes, Class B Notes or Class C Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class D Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Unless otherwise specified herein, any reference to the principal amount of a Class D Note includes any Class D Deferred Interest added thereto. Upon the payment of Class D Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class D Notes will be reduced by the amount of such payment.

Any interest on the Class E Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class E Deferred Interest"); *provided,* that no accrued interest on the Class E Notes shall become Class E Deferred Interest unless a more Senior Class of Notes is then outstanding. Any interest so deferred will be added to the aggregate outstanding principal amount of the Class E Notes and thereafter interest will accrue on the aggregate outstanding principal amount of the Class E Notes, as so increased. So long as any Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes or Class D Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class E Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Unless otherwise specified herein, any reference to the principal amount of a Class E Note includes any Class E Deferred Interest added thereto. Upon the payment of Class E Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class E Notes will be reduced by the amount of such payment.

Any interest on the Class F Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class F Deferred Interest"); *provided,* that no accrued interest on the Class F Notes shall become Class F Deferred Interest unless a more Senior Class of Notes is then outstanding. Any interest so deferred will be added to the aggregate outstanding principal amount of the Class F Notes and thereafter interest will accrue on the aggregate outstanding principal amount of the Class F Notes, as so increased. So long as any Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class F Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Unless otherwise specified herein, any reference to the principal amount of a Class F Note includes any Class F Deferred Interest added thereto. Upon the payment of Class F Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class F Notes will be reduced by the amount of such payment.

Any interest on the Class G Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class G Deferred Interest"); *provided,* that no accrued interest on the Class G Notes shall become Class G Deferred Interest unless a more Senior Class of Notes is then outstanding. Any interest so deferred will be added to the aggregate outstanding principal amount of the Class G Notes and thereafter interest will accrue on the aggregate outstanding principal amount of the Class G Notes, as so increased. So long as any Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class G Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Unless otherwise specified herein, any reference to the principal amount of a Class G Note includes any Class G Deferred Interest added thereto. Upon the payment of Class G Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class G Notes will be reduced by the amount of such payment.

Any interest on the Class H Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class H Deferred Interest"); provided, that no accrued interest on the Class H Notes shall become Class H Deferred Interest unless a more Senior Class of Notes is then outstanding. Any interest so deferred will be added to the aggregate outstanding principal amount of the Class H Notes and thereafter interest will accrue on the aggregate outstanding principal amount of the Class H Notes, as so increased. So long as any Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes or Class G Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class H Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Unless otherwise specified herein, any reference to the principal amount of a Class H Note includes any Class H Deferred Interest added thereto. Upon the payment of Class H Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class H Notes will be reduced by the amount of such payment.

Interest will cease to accrue on each Rated Note or, in the case of a partial repayment, on such part, from the date of repayment or Stated Maturity unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments. To the extent lawful and enforceable, interest on any Defaulted Interest on any Rated Note will accrue at the interest rate applicable to such Rated Note until paid.

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

(i) On the second LIBOR Business Day (*provided,* that on such day commercial banks are open for business (including dealings in foreign currency deposits) in London (a "LIBOR Banking Day"), and otherwise the next preceding LIBOR Business Day that is also a LIBOR Banking Day, prior to each February 7, May 7, August 7 and November 7 (each such day, a "LIBOR Determination Date"), LIBOR shall equal the rate, as obtained by the Calculation Agent, for U.S. Dollar deposits in Europe of the Designated Maturity which appears on Telerate (as defined in the International Swaps and Derivatives Association, Inc. 2000 Interest Rate and Currency Exchange Definitions) Page 3750 or such other page as may replace such Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date, as reported by Bloomberg Financial Markets Commodities News or any successor service ("Telerate Page 3750"). "LIBOR Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banking institutions in New York, New York, or Wilmington, Delaware are authorized or obligated by law or executive order to be closed. If such rate is superseded on Telerate Page

3750 by a corrected rate before 12:00 noon (London time) on such LIBOR Determination Date, the corrected rate as so substituted will be LIBOR for such LIBOR Determination Date.

(ii) If, on such LIBOR Determination Date, such rate does not appear on Telerate Page 3750, the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks (as defined below) to leading banks in the London interbank market for U.S. Dollar deposits in Europe of the Designated Maturity in an amount determined by the Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on such LIBOR Determination Date made by the Calculation Agent to the Reference Banks. If, on such LIBOR Determination Date, at least two of the Reference Banks provide such quotations, LIBOR shall equal the arithmetic mean of such quotations. If, on such LIBOR Determination Date, only one or none of the Reference Banks provides such a quotation, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that at least two leading banks in The City of New York selected by the Calculation Agent are quoting on such LIBOR Determination Date for U.S. Dollar deposits in Europe of the Designated Maturity at approximately 11:00 a.m. (London time) in an amount determined by the Calculation Agent; *provided,* that if the Calculation Agent is required but is unable to determine LIBOR in accordance with at least one of the procedures provided above, LIBOR shall be LIBOR in effect for the immediately preceding Interest Period. As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Calculation Agent.

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

For so long as any floating rate Rated Note remains outstanding, the Issuer will at all times maintain an agent appointed to calculate LIBOR in respect of each Interest Period. As soon as possible after 11:00 a.m. (London time) on each LIBOR Determination Date, but in no event later than 11:00 a.m. (London time) on the Business Day immediately following each LIBOR Determination Date, the Calculation Agent will calculate the interest rate for the Rated Notes for the related Interest Period and the amount of interest for such Interest Period payable in respect of each U.S.$1,000 in principal amount of each Class of Rated Notes (other than (A) in respect of the Class D-1 Notes, during the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2016 and (B) in respect of the Class D-2 Notes and Class E-1 Notes, during the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010), in each case rounded to the nearest cent, with half a cent being rounded upward, on the related Distribution Date and will communicate such rates and amounts and the related Distribution Date to the Issuer, the Trustee, each Paying Agent, Euroclear Bank, Clearstream, Luxembourg, DTC and (for so long as any Class of Rated Notes is listed on the Irish Stock Exchange) the Irish Stock Exchange.

As used herein, "Designated Maturity" means with respect to the Rated Notes, (a) for the initial Interest Period, the number of calendar days from and including the Closing Date to but excluding the first Distribution Date, (b) for each Interest Period after the initial Interest Period (other than the Interest Period ending on the Stated Maturity), three months and (c) for the Interest Period ending on the Stated

Maturity, the number of calendar days from and including the first day of such Interest Period to but excluding the final Distribution Date.

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

Principal

The Stated Maturity of the Notes is August 7, 2037. Each Class of Notes will mature at the applicable Stated Maturity unless redeemed or repaid prior thereto. However, the Notes may be paid in full prior to their Stated Maturity. See "Risk Factors—Average Life of the Notes and Prepayment Considerations" and "Maturity, Prepayment and Yield Considerations." Any payment of principal with respect to any Class of Rated Notes (including any payment of principal made in connection with an Auction Call Redemption, Optional Redemption or Tax Redemption) will be made by the Trustee on a *pro rata* basis on each Distribution Date among the Rated Notes of such Class according to the respective unpaid principal amounts thereof outstanding immediately prior to such payment. The Trustee shall, so long as any Class of Rated Notes is listed on the Irish Stock Exchange, notify the Irish Stock Exchange not later than the second Business Day preceding each Distribution Date of the amount of principal payments to be made on the Rated Notes of each such Class on such Distribution Date, the aggregate outstanding principal amount of the Rated Notes of each such Class and the percentage of the original aggregate outstanding principal amount of the Rated Notes of such Class after giving effect to the principal payments, if any, on such Distribution Date.

Principal Proceeds will be applied on each Distribution Date in accordance with the Priority of Payments to pay principal of each Class of Rated Notes, with principal of each Class of Rated Notes being paid prior to the payment of principal of each other Class of Rated Notes then outstanding that is Subordinate to the Class of Rated Notes being paid.

Mandatory Redemption

Each Class of Rated Notes shall, on any Distribution Date, be subject to mandatory redemption in the event that any Coverage Test applicable to such Class of Rated Notes or any Class of Rated Notes Subordinate to such Class is not satisfied on the related Determination Date; *provided* that the Interest Coverage Tests are not required to be satisfied prior to the Measurement Date relating to the Distribution Date in May 2007. Any such redemption will be effected from Interest Proceeds to the extent necessary to cause each applicable Coverage Test to be satisfied. Any such redemption will be applied to each outstanding Class of Rated Notes sequentially in order of seniority in accordance with the Priority of Payments as described below under "Description of the Rated Notes—Priority of Payments."

In addition, the Board or a board member authorized to act on behalf of the Board, will notify or cause the Collateral Manager to notify each Rating Agency in writing (each notice a "Ramp-Up Notice") of the occurrence of the date that is the earlier of (a) 180 days following the Closing Date and (b) the first day on which the aggregate par amount of the Collateral Debt Securities held by the Issuer is at least equal to the Aggregate Ramp-Up Par Amount (such date, the "Ramp-Up Completion Date") within seven business days after the occurrence of the Ramp-Up Completion Date. The Board or such authorized

individual will request or will cause the Collateral Manager to request that each Rating Agency confirm within 30 days after receipt of a Ramp-Up Notice that it has not reduced or withdrawn the rating (including shadow, private or confidential ratings, if any) assigned by it, if any, on the Closing Date to any Class of Rated Notes or Combination Notes (such confirmation, together with any confirmation deemed to have been made in accordance with the following sentence, a "Ratings Confirmation"). The Issuer will be deemed to have obtained a Ratings Confirmation from a Rating Agency (other than Standard & Poor's) if (i) such Rating Agency does not notify the Issuer in writing within 30 days after receipt of a Ramp-Up Notice that any such rating (including shadow, private or confidential ratings, if any) has been reduced or withdrawn and (ii) all Coverage Tests (other than the Interest Coverage Tests) and Collateral Quality Tests are satisfied on the Ramp-Up Completion Date. In the event that the Issuer is unable to obtain a Ratings Confirmation after the Ramp-Up Completion Date occurs (a "Ramp-Up Ratings Confirmation Failure"), the Issuer will be required to apply Uninvested Proceeds, and, to the extent that Uninvested Proceeds are insufficient, Interest Proceeds, and, to the extent that Interest Proceeds are insufficient, Principal Proceeds, to the repayment of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes, *pro rata, sixth*, the Class E Notes, *pro rata*, *seventh,* the Class F Notes, *eighth*, the Class G Notes and *ninth,* the Class H Notes, in accordance with the Priority of Payments as, and to the extent, necessary to obtain a Ratings Confirmation from each Rating Agency.

Auction Call Redemption

In accordance with the procedures set forth in the Indenture (the "Auction Procedures"), the Collateral Manager shall, at the expense of the Co-Issuers, conduct an auction (an "Auction") of the Collateral Debt Securities if, on or prior to the Distribution Date occurring in August 2016, the Rated Notes have not been redeemed in full. The Auction shall be conducted not later than (1) the date that is ten (10) Business Days prior to the Distribution Date occurring in August 2016, and (2) if the Rated Notes are not redeemed in full on such Distribution Date, each Distribution Date thereafter that falls approximately six months after the date of the previous such Auction, until all of the Collateral Debt Securities have been sold (each such date, an "Auction Date"). Any of the Collateral Manager, the holders of the Income Notes, the Trustee or their respective affiliates may, but shall not be required to, bid at the Auction. The Collateral Manager shall sell and transfer, or shall instruct the Trustee to sell and transfer, the Collateral Debt Securities to the highest bidder therefor (or the highest bidders therefor, in the event the pool of Collateral Debt Securities is divided and sold in subpools) at the Auction; *provided,* that:

(i) the Auction has been conducted in accordance with the Auction Procedures;

(ii) the Collateral Manager has received bids for the Collateral Debt Securities (or for each of the related subpools) from at least two prospective purchasers (including the winning bidder) identified on a list of qualified bidders (such bidders, "Qualified Bidders") furnished by the Collateral Manager to the Trustee in accordance with the Indenture; *provided,* that the Issuer will be entitled to enter into an agreement for the purchase of the Collateral Debt Securities (or the relevant subpool) with a Person other than a Qualified Bidder in the event that (a) such Person provides a bid in an amount greater than the highest bid received from any Qualified Bidder, (b) the Rating Condition is satisfied by Standard & Poor's and Moody's with respect thereto and (c) such Person provides credit support in respect of its purchase obligation in the form and amount requested, if any, by the Collateral Manager, the Issuer or any Rating Agency (including, without limitation, in the form of a letter of credit if so requested); *provided, further,* that in the event the Collateral Manager, the holders of the Income Notes, the Trustee or their respective affiliates has met the requirements set forth in subclauses (b) and (c) of the preceding proviso, the Collateral Manager, the holders of the Income Notes, the Trustee, the Placement Agents or their respective affiliates shall be entitled to purchase the Collateral Debt Securities, or any portion thereof, at a purchase price equal to the highest bid received therefor; and *provided*, *still further*, that, in accordance

with the Auction Procedures, if the Trustee receives fewer than two bids to purchase all of the Collateral Debt Securities or to purchase each subpool, the Trustee may, if the holders of a majority of the aggregate outstanding principal amount of the Income Notes consents thereto in writing, and in accordance with the provisions of the Indenture, accept such bid as the winning bid;

(iii) the Collateral Manager certifies that the highest bid(s) would result in the sale of all of the Collateral Debt Securities (or the related subpools constituting all of the Collateral Debt Securities) for a purchase price (paid in cash) which together with the balance of all Eligible Investments and cash held by the Issuer (other than Eligible Investments and cash held in any Hedge Counterparty Collateral Account), together with the principal balance of any subpools of Collateral Debt Securities that are not sold on or prior to such date, will be at least equal to the sum of (x) the Total Senior Redemption Amount, plus (y) an amount equal to the greater of (1)(A) the aggregate original purchase price of the Income Notes on the Closing Date, minus (B) the aggregate amount of all cash distributions on the Income Notes and (2) zero; and

(iv) subject to the proviso in paragraph (ii) above, the highest Qualified Bidder(s) enter(s) into a written agreement with the Issuer (which the Issuer shall execute if the conditions set forth above and in the Indenture are satisfied which execution shall constitute certification by the Issuer that such conditions have been satisfied) that obligates the highest bidder (or the highest bidder for each subpool) to purchase all of the Collateral Debt Securities (or the relevant subpool) and provides for payment in full (in cash) of the purchase price to the Trustee on or prior to the sixth Business Day following the relevant Auction Date.

Provided that all of the conditions set forth in clauses (i) through (iv) have been met, the Collateral Manager shall sell and transfer, or shall instruct the Trustee to sell and transfer, all of the Collateral Debt Securities (or the related subpool), without representation, warranty or recourse, to such highest bidder (or the highest bidder for each subpool, as the case may be) in accordance with and upon completion of the Auction Procedures. The Trustee shall deposit the purchase price for the Collateral Debt Securities in the Collection Accounts and the Rated Notes and, to the extent funds are available therefor, the Income Notes, shall be redeemed on the Distribution Date immediately following the relevant Auction Date (such redemption, the "Auction Call Redemption") in accordance with the Priority of Payments.

If any of the foregoing conditions is not met with respect to any Auction or if the highest bidder (or the highest bidder for any subpool, as the case may be) fails to pay the purchase price before the sixth Business Day following the relevant Auction Date (and, in the case of any credit support provided in connection with a sale described in paragraph (ii) above), the provider of such credit support shall default in its payment obligations thereunder, (a) no Auction Call Redemption shall occur on the Distribution Date following the relevant Auction Date, (b) the Collateral Manager shall give notice to the Trustee of the withdrawal, (c) subject to clause (d) below, the Collateral Manager or the Trustee, as the case may be, shall decline to consummate such sale and shall not solicit any further bids or otherwise negotiate any further sale of Collateral Debt Securities in relation to such Auction, and (d) unless the Rated Notes are redeemed in full prior to the next succeeding Auction Date, the Collateral Manager shall conduct another Auction on the next succeeding Auction Date.

Optional Redemption and Tax Redemption

Subject to certain conditions described herein, the Issuer may redeem the Rated Notes (such redemption, an "Optional Redemption"), in whole but not in part, at the direction of the holders of a majority of the aggregate outstanding principal amount of the Income Notes at the applicable Redemption Price therefor on any Distribution Date; *provided,* that no such Optional Redemption may be effected prior to the Distribution Date occurring in August 2010.

In addition, upon the occurrence of a Tax Event, the Issuer shall redeem the Rated Notes (such redemption, a "Tax Redemption") on any Distribution Date, in whole but not in part, at the applicable Redemption Price therefore at the direction of the holders of at least 66 2/3% of the aggregate outstanding principal amount of (a) the Class A-1 Notes, until the Trustee and the Collateral Manager have received notice from AG Financial Products Inc. and Assured Guaranty Corp. that it is no longer providing credit protection in respect of the Class A-1 Notes, or (b) the Class H Notes, that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amounts otherwise payable to such class on such Distribution Date (such Class, the "Affected Class"). Any such redemption may only be effected on a Distribution Date and only from (a) the sale proceeds of the Collateral and (b) all other funds in the Interest Collection Account, Principal Collection Account and the Payment Account on any Distribution Date, at the applicable Redemption Price (exclusive of installments of principal and interest due on or prior to such date; *provided*, payment of which shall have been made or duly provided for, to the holders of the Rated Notes as provided for in the Indenture). No Tax Redemption may be effected, however, unless a Tax Event shall have occurred and the Tax Materiality Condition is satisfied.

Notwithstanding the foregoing paragraph, in connection with any Tax Redemption, holders of at least 66 2/3% of the aggregate outstanding principal amount of an Affected Class of Notes may elect to receive less than 100% of the portion of the Total Senior Redemption Amount that would otherwise be payable to holders of such Affected Class (and the minimum funding requirements specified in the immediately preceding paragraph will be reduced accordingly).

A "Tax Event" will occur if (a) any obligor, paying agent or Hedge Counterparty is required to deduct or withhold from any payment under any Collateral Debt Security or Hedge Agreement to the Issuer or under any Corresponding Debenture (or the Issuer is required to deduct or withhold from any payment to a Hedge Counterparty) for or on account of any tax for whatever reason, whether or not as a result of any change in law or interpretation, and the related obligor, paying agent or Hedge Counterparty is not required to pay to the Issuer (or the Issuer is required to pay the Hedge Counterparty) such additional amount as is necessary to ensure that the net amount actually received by the Issuer (or Hedge Counterparty) (free and clear of taxes, whether assessed against such obligor, the Issuer or Hedge Counterparty) will equal the full amount that the Issuer (or Hedge Counterparty) would have received had no such deduction or withholding occurred or (b) a net income, profits, or similar tax is imposed on a Trust Preferred Securities Issuer or (c) a net income, profits or similar tax is imposed on the Issuer. The "Tax Materiality Condition" will be satisfied during any 12-month period if the sum of (i) the aggregate amount deducted or withheld during such 12-month period for or on account of any tax by all obligors, paying agents or Hedge Counterparties from payments to the Issuer under any Collateral Debt Security or Hedge Agreement or under any Corresponding Debenture (net of any gross-up payment made by such obligor or Hedge Counterparty to the Issuer), (ii) the aggregate amount of tax "gross-up" paid by the Issuer to a Hedge Counterparty, (iii) the aggregate amount of any net income, profits or similar tax imposed on the Issuer during such 12-month period and (iv) the aggregate reductions in amounts paid by a Trust Preferred Securities Issuer to the Issuer as a consequence of the Tax Event described in clause (b) above, exceeds U.S.$2,000,000.

Notwithstanding the foregoing, unless the holders of a majority of the aggregate outstanding principal amount of the Income Notes have directed the Issuer to redeem the Income Notes on such Distribution Date, the amount of Collateral sold in connection with such Optional Redemption or Tax Redemption shall not exceed the amount necessary for the Issuer to obtain the aggregate amount necessary to pay all amounts (including fees and expenses incurred by the Trustee and the Collateral Manager in connection with such sale) due and payable by the Issuer under the Priority of Payments prior to the payment of the Rated Notes, to pay any accrued and unpaid amounts (including any termination payments) payable by the Issuer pursuant to the Hedge Agreements, and any fees and expenses incurred by the Trustee and the Collateral Manager in connection with such sale of Collateral Debt Securities and to redeem the Rated Notes on the scheduled Redemption Date at the applicable Redemption Price

therefor, together with all accrued interest to the date of redemption (such aggregate amount, the "Total Senior Redemption Amount").

Redemption Procedures

Notice of any Auction Call Redemption, Optional Redemption or Tax Redemption will be given by first-class mail, postage prepaid, mailed not less than ten Business Days prior to the date scheduled for redemption (with respect to such Auction Call Redemption, Optional Redemption or Tax Redemption, the "Redemption Date"), to each holder of Notes at such holder's address in the register maintained by the registrar under the Indenture, to the Hedge Counterparty and to each Rating Agency. In addition, the Trustee will, if and for so long as any Class of Rated Notes to be redeemed is listed on the Irish Stock Exchange, (i) cause notice of such Auction Call Redemption, Optional Redemption or Tax Redemption to be delivered to the Company Announcements Office of the Irish Stock Exchange not less than ten Business Days prior to the Redemption Date and (ii) promptly notify the Irish Stock Exchange of any Auction Call Redemption, Optional Redemption or Tax Redemption. Notes eligible to be redeemed must be surrendered at the offices of any Paying Agent under the Indenture in order to receive the applicable Redemption Price, unless the holder provides (i) an undertaking to surrender such Note thereafter and (ii) in the case of a holder that is not a Qualified Institutional Buyer, such security or indemnity as may be required by the Issuer or the Trustee.

No Notes may be redeemed pursuant to an Auction Call Redemption, Optional Redemption or Tax Redemption unless at least four Business Days before the scheduled Redemption Date, the Collateral Manager shall have furnished to the Trustee evidence, in form satisfactory to the Trustee, that the Collateral Manager on behalf of the Issuer has entered into a binding agreement or agreements with a Qualified Bidder, or other Person with respect to whom the Rating Condition shall have been satisfied, to sell, not later than the Business Day immediately preceding the scheduled Redemption Date, in immediately available funds, all or part of the Collateral Debt Securities at a purchase price, when added to all cash and Eligible Investments maturing on or prior to the scheduled Redemption Date credited to the Interest Collection Account, the Principal Collection Account, the Uninvested Proceeds Account, the Expense Account, the Semi-Annual Interest Reserve Account and the Payment Account on the relevant Distribution Date, will equal or exceed the Total Senior Redemption Amount plus, in the case of an Auction Call Redemption, the greater of (1)(A) the aggregate original purchase price of the Income Notes on the Closing Date, minus (B) the aggregate amount of all cash distributions on the Income Notes and (2) zero.

Any such notice of an Auction Call Redemption, an Optional Redemption or a Tax Redemption may be withdrawn by the Issuer up to the fourth Business Day prior to the scheduled Redemption Date by written notice to the Trustee, the Hedge Counterparty and the Collateral Manager only if the Collateral Manager is unable to deliver the sale agreement or agreements referred to above in form satisfactory to the Trustee. Notice of any such withdrawal shall be given by the Trustee to each holder of Notes at such holder's address in the Note Register maintained by the Note Registrar under the Indenture by overnight courier guaranteeing next-day delivery, sent not later than the third Business Day prior to the scheduled Redemption Date. In addition, the Trustee will, if any Class of Rated Notes to have been redeemed was listed on the Irish Stock Exchange, (i) deliver a notice of such withdrawal to the Company Announcements Office of the Irish Stock Exchange not less than three Business Days prior to the scheduled Redemption Date and (ii) promptly notify the Irish Stock Exchange of such withdrawal.

Upon any redemption of the applicable Notes, the Combination Notes will receive payment with respect to the related Note Components. Thereafter, the Combination Notes will consist only of the applicable Income Note Component, to the extent the Income Notes represented by such Income Note Components have not been redeemed. The Combination Notes shall be fully redeemed when the Income

Notes constituting the Income Note Components thereof have been fully redeemed in accordance with the Indenture.

Redemption Price

The amount payable in connection with any Auction Call Redemption, Optional Redemption or Tax Redemption of any Rated Note (with respect to each Class of Rated Notes, the "Redemption Price") will be an amount equal to in the case of (a) each Class of Rated Notes (other than the Class D-1 Notes, the Class D-2 Notes and the Class E-1 Notes), the sum, without duplication, of (i) 100% of the outstanding principal amount of each such Rated Note being redeemed plus (ii) accrued interest through such Redemption Date (including any Defaulted Interest and interest on Defaulted Interest and any Deferred Interest and interest on any Deferred Interest, as applicable) thereon; and (b) in the case of each of the Class D-1 Notes, the Class D-2 Notes and the Class E-1 Notes, the sum, without duplication, of (i) 100% of the outstanding principal amount of each such Rated Note being redeemed, plus (ii) accrued interest through such Redemption Date (including any Defaulted Interest and interest on Defaulted Interest and any Deferred Interest and interest on any Deferred Interest, as applicable) thereon, plus (iii) the excess, if any, of (x) the present value of the scheduled payments of interest and principal which are remaining with respect to such Rated Notes as of such Redemption Date, based on the assumption that no principal is paid on such Rated Notes until such Rated Notes are paid in full on the Distribution Date occurring in August 2016 (in the case of the Class D-1 Notes), August 2010 (in the case of the Class D-2 Notes) or August 2010 (in the case of the Class E-1 Notes), and using a discount factor equal to the yield to maturity (calculated as of the 45th day preceding such Redemption Date) on the USD-ISDA-Swap Rate with a maturity no longer than the period of time between such Redemption Date and the Distribution Date occurring in August 2016 (in the case of the Class D-1 Notes), August 2010 (in the case of the Class D-2 Notes) or August 2010 (in the case of the Class E-1 Notes), plus (A) in the case of the Class D-1 Notes, 1.20%, (B) in the case of the Class D-2 Notes, 1.20% and (C) in the case of the Class E-1 Notes, 1.50% over (y) 100% of the outstanding principal amount of such Rated Note being redeemed.

The Redemption Price for the Income Notes shall be an amount equal to funds remaining after the redemption of the Rated Notes and payment of all other obligations of the Issuer.

Cancellation

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

Payments

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

If any date identified as a Distribution Date (other than a Redemption Date or at Stated Maturity) falls on a day other than a Business Day, the Distribution Date shall be deemed to be the next succeeding Business Day and (i) with respect to any Rated Notes, other than as set forth in clause (ii) below, interest

shall accrue on such payment for the period from and after such date that was identified as a Distribution Date to such next succeeding Business Day and (ii) with respect to the Class D-1 Notes (prior to the Distribution Date in August 2016), Class D-2 Notes (prior to the Distribution Date in August 2010) and the Class E-1 Notes (prior to the Distribution Date in August 2010), no interest shall accrue on such payment for the period from and after such date that was identified as a Distribution Date to such next succeeding Business Day. No additional interest shall accrue on the Rated Notes if a Redemption Date or Stated Maturity does not fall on a Business Day. To the extent action is required of the Issuer that has not been delegated to the Trustee, the Collateral Manager or any agent of the Issuer located outside of the Cayman Islands, the Cayman Islands shall be considered in determining "Business Day" for purposes of determining when such Issuer action is required. To the extent action is required of the Irish Paying Agent, Dublin, Ireland shall be considered in determining "Business Day" for purposes of determining when such Paying Agent action is required.

For so long as any Rated Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, the Co-Issuers will maintain an Irish listing agent and an Irish paying agent with respect to such Rated Notes with an office located in Dublin, Ireland.

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

Priority of Payments

With respect to any Distribution Date, collections received during each Due Period in respect of the Collateral will be divided into Interest Proceeds and Principal Proceeds and applied in the order of priority set forth below under "—Interest Proceeds" and "—Principal Proceeds," respectively (collectively, the "Priority of Payments"). "Due Period" means each period from, but excluding, the first day of a calendar month relating to any Distribution Date to, and including, the first day of the calendar month relating to the next succeeding Distribution Date, except that (a) the initial Due Period will commence on, and include, the Closing Date and (b) the final Due Period will end on, and include, the day preceding the Stated Maturity of the Rated Notes. The "Distribution Date" relating to any Due Period shall be the Distribution Date that next succeeds the last day of such Due Period. For the avoidance of doubt, amounts that would otherwise have been payable in respect of a Pledged Collateral Debt Security on or before the last day of a Due Period, but for such day not being a designated business day in the Underlying Instruments or a Business Day under the Indenture, shall be considered included in collections received during such Due Period.

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

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

(2) (a) *first*, to the payment, in the following order, to the Trustee, the Note Registrar and the Collateral Administrator of accrued and unpaid fees, (b) *second*, to the payment, in the

following order, to the Trustee, the Note Registrar and the Collateral Administrator of expenses and other amounts owing to them under the Indenture, and the Collateral Administration Agreement, as applicable; (c) *third*, to the payment of all other accrued and unpaid administrative expenses of the Issuer (excluding fees and expenses described in clauses (a) and (b) above, the Collateral Management Fee and principal of and interest on the Notes but including other amounts for which the Collateral Manager may claim reimbursement pursuant to the Collateral Management Agreement); and (d) *fourth*, after application of the amounts under clauses (a) through (c) of this paragraph (2) and if such date is not the Stated Maturity or a Redemption Date, if the balance of all Eligible Investments and cash in the Expense Account on the related Determination Date is less than U.S.$50,000, for deposit to the Expense Account an amount equal to such amount as will cause the balance of all Eligible Investments and cash in the Expense Account immediately after such deposit to equal U.S.$50,000; *provided*, that all payments made pursuant to clauses (b) through (d) on such Distribution Date, together with amounts disbursed from the Expense Account (other than any amounts distributed pursuant to clause (a) above) during the Due Period corresponding to such Distribution Date, may not, as a result of any payment pursuant to this paragraph (2), exceed the sum of (i) 0.033% of the Collateral Principal Balance as of the first day of the Due Period with respect to such Distribution Date plus (ii) U.S.$50,000 minus the aggregate amount of all payments made pursuant to this subclause (ii) over the twelve-month period ending on such Distribution Date;

(3) to the payment to the Collateral Manager of accrued and unpaid Base Collateral Management Fee;

(4) to the payment of any amount scheduled to be paid to the Hedge Counterparty pursuant to the Hedge Agreements, together with any Qualified Termination Payments, in each case net of any payments to be received from the Hedge Counterparty pursuant to the Hedge Agreements;

(5) to the payment of, *first*, accrued and unpaid interest on the Class A-1 Notes, *second*, accrued and unpaid interest on the Class A-2 Notes, and *third*, accrued and unpaid interest on the Class B Notes (including, in each case, Defaulted Interest and any interest thereon);

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

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

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

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

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

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

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

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

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

(15) if either Class F/G Coverage Test is not satisfied on the related Determination Date and if any Class A Note, Class B Note, Class C Note, Class D Note, Class E Note, Class F Note or Class G Note remains outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes, *pro rata*, *sixth*, the Class E Notes, *pro rata*, *seventh* the Class F Notes, and *eighth* the Class G Notes, to the extent necessary to cause each of the Class F/G Coverage Tests to be satisfied on the related Determination Date;

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

(17) if either Class H Coverage Test is not satisfied on the related Determination Date and if any Class A Note, Class B Note, Class C Note, Class D Note, Class E Note, Class F Note, Class G Note or Class H Note remains outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes, *pro rata*, *sixth*, the Class E Notes, *pro rata*, *seventh*, the Class F Notes, *eighth*, the Class G Notes and *ninth*, the Class H Notes, to the extent necessary to cause each of the Class H Coverage Tests to be satisfied on the related Determination Date;

(18) to the payment of Class C Deferred Interest in respect of the Class C Notes (in reduction of the principal amount of the Class C Notes);

(19) to the payment of Class D Deferred Interest in respect of the Class D Notes (in reduction of the principal amount of the Class D Notes), *pro rata*;

(20) to the payment of Class E Deferred Interest in respect of the Class E Notes (in reduction of the principal amount of the Class E Notes), *pro rata*;

(21) to the payment of Class F Deferred Interest in respect of the Class F Notes (in reduction of the principal amount of the Class F Notes);

(22) to the payment of Class G Deferred Interest in respect of the Class G Notes (in reduction of the principal amount of the Class F Notes);

(23) to the payment of Class H Deferred Interest in respect of the Class H Notes (in reduction of the principal amount of the Class H Notes);

(24) to the payment of all other accrued and unpaid administrative expenses of the Trustee, the Note Registrar, the Collateral Administrator and the Issuer (excluding any Collateral Management Fee) not paid pursuant to paragraph (2) above (whether as the result of the limitations on amounts set forth therein or otherwise) and in the same order of priority;

(25) to the payment of any Non-Qualified Termination Payments payable by the Issuer pursuant to any Hedge Agreement;

(26) to the payment to the Collateral Manager of accrued and unpaid Subordinate Collateral Management Fee;

(27) on the Distribution Date occuring in November 2016 and on each Distribution Date thereafter, to the payment of principal of, *first,* the Class H Notes, *second*, the Class G Notes, *third*, the Class F Notes, *fourth*, the Class E Notes, *pro rata*, *fifth*, the Class D Notes, *pro rata*, *sixth*, the Class C Notes*, seventh*, the Class B Notes, *eighth*, the Class A-2 Notes, and *ninth*, the Class A-1 Notes, until each such Class has been paid in full; *provided,* that all payments made pursuant to this paragraph (27) shall not exceed on any Distribution Date an amount equal to 60% of the Interest Proceeds that would otherwise be released from the lien of the Indenture and distributed to the holders of the Income Notes and the holders of the Combination Notes (to the extent of the Income Note Component thereof) in accordance with paragraph (28) below (assuming solely for such purpose that no payments are to be made pursuant to this paragraph (27)); and

(28) the remainder, to be released from the lien of the Indenture and distributed to the holders of the Income Notes and the holders of the Combination Notes (to the extent of the Income Note Component thereof).

Notwithstanding anything to the contrary contained in the foregoing paragraph, for the purpose of making distributions of Interest Proceeds on any Distribution Date that is prior to the Ramp-Up Completion Date, payments pursuant to paragraph (28) under "Priority of Payments—Interest Proceeds" shall be made if and only if the Pre-Ramp-Up Completion Date Distribution Conditions are satisfied. All amounts which would have been distributed pursuant to paragraph (28) under "Priority of Payments—Interest Proceeds" if not for the operation of the previous sentence will be retained in Collection Account for application as Interest Proceeds with respect to the following Distribution Dates. As used herein, "Pre-Ramp-Up Completion Date Distribution Conditions" shall mean (1) no Event of Default shall have occurred and be continuing and (2) the Collateral Quality Tests and the Concentration Limit will be satisfied.

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

(1) to the payment of the amounts referred to in paragraphs (1) to (4) under "Priority of Payments—Interest Proceeds" above in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(2) to the payment of, *first*, accrued and unpaid interest on the Class A-1 Notes*, second*, accrued and unpaid interest on the Class A-2 Notes and *third*, accrued and unpaid interest on the Class B Notes (including, in each case, Defaulted Interest and any interest thereon), but, in each case, only to the extent such amounts have not been paid in full pursuant to paragraph (5) under "Priority of Payments—Interest Proceeds";

(3) to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, and *third*, the Class B Notes, in each case until paid in full;

(4) to the payment of *first*, accrued and unpaid interest on the Class C Notes, (including Defaulted Interest and interest thereon, if any, but excluding any Class C Deferred Interest), but only to the extent such amounts have not been paid in full pursuant to paragraph (7) under "Priority of Payments—Interest Proceeds," *second,* Class C Deferred Interest in respect of the Class C Notes (in reduction of the principal amount of the Class C Notes), but only to the extent such amounts have not been paid in full pursuant to paragraph (18) under "Priority of Payments—Interest Proceeds," and *third*, to the payment of principal of the Class C Notes, in each case until paid in full;

(5) to the payment of *first*, accrued and unpaid interest on the Class D Notes, *pro rata* (including Defaulted Interest and interest thereon, if any, but excluding any Class D Deferred Interest), but only to the extent such amounts have not been paid in full pursuant to paragraph (9) under "Priority of Payments—Interest Proceeds," *second,* Class D Deferred Interest in respect of the Class D Notes (in reduction of the principal amount of the Class D Notes),but only to the extent such amounts have not been paid in full pursuant to paragraph (19) under "Priority of Payments—Interest Proceeds," and *third*, to the payment of principal of the Class D Notes, *pro rata*, in each case until paid in full;

(6) to the payment of *first*, accrued and unpaid interest on the Class E Notes, *pro rata* (including Defaulted Interest and interest thereon, if any, but excluding any Class E Deferred Interest), but only to the extent such amounts have not been paid in full pursuant to paragraph (11) under "Priority of Payments—Interest Proceeds," *second,* Class E Deferred Interest in respect of the Class E Notes (in reduction of the principal amount of the Class E Notes),but only to the extent such amounts have not been paid in full pursuant to paragraph (20) under "Priority of Payments—Interest Proceeds," and *third*, to the payment of principal of the Class E Notes, *pro rata*, in each case until paid in full;

(7) to the payment of *first*, accrued and unpaid interest on the Class F Notes, (including Defaulted Interest and interest thereon, if any, but excluding any Class F Deferred Interest), but only to the extent such amounts have not been paid in full pursuant to paragraph (13) under "Priority of Payments—Interest Proceeds," *second,* Class F Deferred Interest in respect of the Class F Notes (in reduction of the principal amount of the Class F Notes),but only to the extent such amounts have not been paid in full pursuant to paragraph (21) under "Priority of Payments—Interest Proceeds," and *third*, to the payment of principal of the Class F Notes, in each case until paid in full;

(8) to the payment of *first*, accrued and unpaid interest on the Class G Notes, (including Defaulted Interest and interest thereon, if any, but excluding any Class G Deferred Interest), but only to the extent such amounts have not been paid in full pursuant to paragraph (14) under "Priority of Payments—Interest Proceeds," *second,* Class G Deferred Interest in respect of the Class G Notes (in reduction of the principal amount of the Class G Notes), but only to the extent such amounts have not been paid in full pursuant to paragraph (22) under "Priority of Payments—Interest Proceeds," and *third*, to the payment of principal of the Class G Notes, in each case until paid in full;

(9) to the payment of *first*, accrued and unpaid interest on the Class H Notes, (including Defaulted Interest and interest thereon, if any, but excluding any Class H Deferred Interest), but only to the extent such amounts have not been paid in full pursuant to paragraph (16) under "Priority of Payments—Interest Proceeds," *second*, Class H Deferred Interest in respect of the Class H Notes (in reduction of the principal amount of the Class H Notes), but only to the extent such amounts have not been paid in full pursuant to paragraph (23) under "Priority of Payments—Interest Proceeds," and *third*, to the payment of principal of the Class H Notes, in each case until paid in full;

(10) to the payment of amounts referred to in paragraphs (24), and (25) under "Priority of Payments—Interest Proceeds," in the same order of priority therein, but only to the extent not paid thereunder;

(11) to the payment to the Collateral Manager of accrued and unpaid Subordinate Collateral Management Fee, but only to the extent such amounts have not been paid in full pursuant to paragraph (26) under "Priority of Payments—Interest Proceeds;" and

(12) the remainder, to be released from the lien of the Indenture and distributed to the holders of the Income Notes and the holders of the Combination Notes (to the extent of the Income Note Component thereof).

On the Distribution Date related to the Stated Maturity of the Notes, Principal Proceeds will be distributed in the following order of priority: (a) to the payment of the amounts referred to in paragraphs (1) through (4) under "Priority of Payments—Interest Proceeds," in the same order of priority specified therein, but only to the extent not paid in full thereunder, (b) to the payment of, *first*, unpaid interest on the Class A-1 Notes, *second,* the unpaid interest on the Class A-2 Notes, *third,* the principal of the Class A-1 Notes, *fourth,* the principal of the Class A-2 Notes, *fifth*, unpaid interest on the Class B Notes, *sixth*, the principal of the Class B Notes, *seventh*, unpaid interest on the Class C Notes, *eighth*, the principal of the Class C Notes, *ninth*, unpaid interest on the Class D Notes, *pro rata*, *tenth*, the principal of the Class D Notes, *pro rata*, *eleventh,* unpaid interest on the Class E Notes, *pro rata*, *twelfth*, the principal of the Class E Notes, *pro rata*, *thirteenth,* unpaid interest on the Class F Notes, *fourteenth*, the principal of the Class F Notes, *fifteenth,* unpaid interest on the Class G Notes, *sixteenth*, the principal of the Class G Notes and *seventeenth*, unpaid interest on the Class H Notes and (c) to the payment of the amounts referred to in paragraphs (24), (25), (26) and (28) under "Priority of Payments—Interest Proceeds," in the same order of priority specified therein.

Notwithstanding anything to the contrary stated under "Priority of Payments—Interest Proceeds," on and after the Distribution Date in May 2007, if a Ramp-Up Ratings Confirmation Failure has occurred, Uninvested Proceeds and, as necessary (and following the payment of all amounts referred to in paragraphs (1), (2), (3), (4), (5), (7), (9), (11), (13), (14) and (16) under "Priority of Payments—Interest Proceeds), Interest Proceeds, will be applied to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes,

pro rata, *sixth*, the Class E Notes*, pro rata, seventh*, the Class F Notes, *eighth*, the Class G Notes and *ninth*, the Class H Notes, to the extent specified by each Rating Agency in order to obtain a Ratings Confirmation.

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

The Coverage Tests

The Class A/B Overcollateralization Test:

The "Class A/B Overcollateralization Test" will be satisfied on any Measurement Date occurring on and after the Closing Date and on which any Class A Notes or Class B Notes remain outstanding if the Class A/B Overcollateralization Ratio on such Measurement Date is equal to or greater than 124.86%.

The Class C Overcollateralization Test:

The "Class C Overcollateralization Test" will be satisfied on any Measurement Date occurring on and after the Closing Date and on which any Class C Notes remain outstanding if the Class C Overcollateralization Ratio on such Measurement Date is equal to or greater than 120.38%.

The Class D Overcollateralization Test:

The "Class D Overcollateralization Test" will be satisfied on any Measurement Date occurring on or after the Closing Date and on which any Class D Notes remain outstanding if the Class D Overcollateralization Ratio on such Measurement Date is equal to or greater than 114.26%.

The Class E Overcollateralization Test:

The "Class E Overcollateralization Test" will be satisfied on any Measurement Date occurring on or after the Closing Date and on which any Class E Notes remain outstanding if the Class E Overcollateralization Ratio on such Measurement Date is equal to or greater than 110.40%.

The Class F/G Overcollateralization Test:

The "Class F/G Overcollateralization Test" will be satisfied on any Measurement Date occurring on or after the Closing Date and on which any Class F Notes or Class G Notes remain outstanding if the Class F/G Overcollateralization Ratio on such Measurement Date is equal to or greater than 104.77%.

The Class H Overcollateralization Test:

The "Class H Overcollateralization Test" will be satisfied on any Measurement Date occurring on or after the Closing Date and on which any Class H Notes remain outstanding if the Class H Overcollateralization Ratio on such Measurement Date is equal to or greater than 102.42%.

The Overcollateralization Ratios:

The "Class A/B Overcollateralization Ratio" means, with respect to a determination made as of the Closing Date and any Measurement Date, the ratio (expressed as a percentage) obtained by dividing

(a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the aggregate outstanding principal amount of the Class A Notes and the Class B Notes (in each case including for this purpose any Defaulted Interest and interest thereon with respect to each such Class of Notes on such Measurement Date).

Each of the "Class C Overcollateralization Ratio," "Class D Overcollateralization Ratio," "Class E Overcollateralization Ratio," "Class F/G Overcollateralization Ratio" and "Class H Overcollateralization Ratio" is calculated in the same manner as the Class A/B Overcollateralization Ratio, but includes in the divisor the outstanding principal amount of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes (in the case of the Class C Overcollateralization Ratio), the outstanding principal amount of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes (in the case of the Class D Overcollateralization Ratio), the outstanding principal amount of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (in the case of the Class E Overcollateralization Ratio), the outstanding principal amount of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes (in the case of the Class F/G Overcollateralization Ratio), and the outstanding principal amount of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes (in the case of the Class H Overcollateralization Ratio), including for this purpose in each case any Deferred Interest.

The Class A/B Interest Coverage Test:

The "Class A/B Interest Coverage Test" is applicable on any Measurement Date occurring on and after the Distribution Date in May 2007 until the Class A Notes and Class B Notes and all amounts payable in respect thereof are paid and is satisfied if the Class A/B Interest Coverage Ratio is at least equal to 135.00%.

The Class C Interest Coverage Test:

The "Class C Interest Coverage Test" is applicable on any Measurement Date occurring on and after the Distribution Date in May 2007 until the Class C Notes and all amounts payable in respect thereof are paid and is satisfied if the Class C Interest Coverage Ratio is at least equal to 130.38%.

The Class D Interest Coverage Test:

The "Class D Interest Coverage Test" is applicable on any Measurement Date occurring on and after the Distribution Date in May 2007 until the Class D Notes are retired and all amounts payable in respect thereof are paid, and is satisfied if the Class D Interest Coverage Ratio is at least equal to 124.26%.

The Class E Interest Coverage Test:

The "Class E Interest Coverage Test" is applicable on any Measurement Date occurring on and after the Distribution Date in May 2007 until the Class E Notes are retired and all amounts payable in respect thereof are paid, and is satisfied if the Class E Interest Coverage Ratio is at least equal to 120.40%.

The Class F/G Interest Coverage Test:

The "Class F/G Interest Coverage Test" is applicable on any Measurement Date occurring on and after the Distribution Date in May 2007 until the Class F Notes and the Class G Notes are retired and all

amounts payable in respect thereof are paid, and is satisfied if the Class F/G Interest Coverage Ratio is at least equal to 114.77%.

The Class H Interest Coverage Test:

The "Class H Interest Coverage Test" is applicable on any Measurement Date occurring on and after the Distribution Date in May 2007 until the Class H Notes are retired and all amounts payable in respect thereof are paid, and is satisfied if the Class H Interest Coverage Ratio is at least equal to 112.42%.

The "Class A/B Interest Coverage Ratio" means, with respect to any Measurement Date occurring on and after the Distribution Date in May 2007, a number (expressed as a percentage) calculated by dividing (a) the

Interest Proceeds received in the Due Period in which such Measurement Date occurs (less the amounts for the Distribution Date related to such Due Period referred to in paragraphs (1), (2), (3) and (4) under "Priority of Payments Interest Proceeds") by (b) accrued and unpaid interest with respect to the Class A Notes and the Class B Notes due on such Distribution Date (including Defaulted Interest, interest thereon, and accrued interest on Deferred Interest, if any, with respect to each such Class of Notes).

Each of the "Class C Interest Coverage Ratio," "Class D Interest Coverage Ratio," the "Class E Interest Coverage Ratio," the "Class F/G Interest Coverage Ratio" and the "Class H Interest Coverage Ratio" is calculated in the same manner as the Class A/B Interest Coverage Ratio, but includes in the divisor accrued and unpaid interest with respect to the Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes (in the case of the Class C Interest Coverage Ratio), accrued and unpaid interest with respect to the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes (in the case of the Class D Interest Coverage Ratio), accrued and unpaid interest with respect to the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes (in the case of the Class E Interest Coverage Ratio), accrued and unpaid interest with respect to the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes and Class G Notes (in the case of the Class F/G Interest Coverage Ratio), and accrued and unpaid interest with respect to the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes and Class H Notes (in the case of the Class H Interest Coverage Ratio), including, in each case, Defaulted Interest and interest thereon, if any, with respect to each such Class of Notes, but excluding any Deferred Interest.

Form, Denomination, Registration and Transfer

General

(i) Regulation S Notes, which will be sold to Non-U.S. Persons, that are, in the case of the Class H Notes, also Qualified Institutional Buyers in offshore transactions in accordance with Regulation S, will be represented by one or more permanent Regulation S Global Rated Notes in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee, initially for the accounts of Euroclear and Clearstream, Luxembourg. By acquisition of a beneficial interest in a Regulation S Global Rated Note any purchaser thereof will be deemed to represent that it is not a U.S. Person (and, in the case of the Class H Notes, that is a Qualified Institutional Buyer) and that, if in the future it decides to transfer such beneficial interest, it will transfer such interest only in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Global Rated Note. Beneficial interests in each Regulation S Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants, including Euroclear and Clearstream, Luxembourg.

(ii) Rated Notes sold in the United States to Qualified Purchasers that are also Qualified Institutional Buyers will be issued in the form of one or more permanent global notes in definitive, fully registered form without interest coupons (the "Restricted Global Rated Notes") deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee. Beneficial interests in Restricted Global Rated Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants.

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

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

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

(vi) The Rated Notes will be issuable in a minimum denomination of U.S.$250,000 and will be offered only in such minimum denomination or an integral multiple of U.S.$1,000 in excess thereof.

(vii) After issuance, (i) a Rated Note may fail to be in compliance with the minimum denomination requirement stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments or in connection with any repayment of principal required by Rating Agencies following a Ramp-Up Confirmation Failure and (ii) Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes and Class H Notes may fail to be in an amount which is an integral multiple of U.S.$1,000 due to the addition to the principal amount thereof of Class C Deferred Interest, Class D Deferred Interest, Class E Deferred Interest, Class F Deferred Interest, Class G Deferred Interest and Class H Deferred Interest, respectively.

Global Notes

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

(in addition to those under the Indenture), in each case to the extent applicable (the "Applicable Procedures").

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

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

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

Definitive Notes

Interests in a Regulation S Global Rated Note or a Restricted Global Rated Note will be exchangeable or transferable, as the case may be, for a Regulation S Note or a Restricted Global Rated Note, that is a Definitive Note if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Note, (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuer within 30 days, (c) the transferee of an interest in such Global Note is required by law to take physical delivery of securities in definitive form or (d) the transferee is otherwise unable to pledge its interest in a Global Note. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause Definitive Notes bearing an appropriate legend regarding restrictions on transfer to be delivered. Upon the transfer, exchange or replacement of Definitive Notes bearing a legend, or upon specific request for removal of a legend on a Definitive Note, the Issuer shall deliver through the Trustee or any Paying Agent to the holder and the transferee, as applicable, one or more Definitive Notes in certificated form corresponding to the principal amount of Definitive Notes surrendered for transfer, exchange or replacement that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of U.S. counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein is required to ensure compliance with the provisions of the Securities Act or the 1940 Act. Definitive Notes will be exchangeable or transferable for interests in other Definitive Notes as described below.

Transfer and Exchange of Rated Notes

(i) Transfers by a holder of a beneficial interest in a Regulation S Global Rated Note to a transferee who takes delivery of such interest through a Restricted Global Rated Note will only be made to a Qualified Purchaser that the transferor reasonably believes is a Qualified Institutional Buyer in accordance with the Applicable Procedures and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

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

(iii) An owner of a beneficial interest in a Regulation S Global Rated Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Rated Note without the provision of written certification if the Transferee is a non-U.S. Person; *provided* that each initial purchaser of a Class H Note (or any interest therein) represents, warrants and covenants that it will not transfer such Class H Note (or any interest therein) without providing the Co-Issuers and the Trustee with a written certification for the benefit of the Co-Issuers and the Trustee from the transferee thereof that such transferee is a Qualified Institutional Buyer and that such transferee will obtain the same representation, warranty and covenant from any entity to whom it transfers such Class H Note (or any interest therein).

(iv) Transfers by a holder of a beneficial interest in a Restricted Global Rated Note to a transferee who takes delivery of such interest through a Regulation S Global Rated Note will be made only in accordance with the Applicable Procedures and upon receipt by the Note Registrar of written certification from the transferor in the form provided in the Indenture to the effect that such transfer is being made in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S to a transferee that is a Non-U.S. Person (and, in the case of a Class H Note, that is a Qualified Institutional Buyer).

(v) The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Class A Note, Class B Note, Class C Note, Class D Note, Class E Note, Class F Note or Class G Note (or any interest therein) (A) is a U.S. Person and (B) was not both a Qualified Purchaser and a Qualified Institutional Buyer at the time of its acquisition thereof, then either of the Co-Issuers may require, by notice to such holder, that such holder sell all of its right, title and interest in such Note (or interest therein) to a Person that is both a Qualified Purchaser and a Qualified Institutional Buyer with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Issuer, the Trustee (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's interest in such Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is both a Qualified Purchaser and a Qualified Institutional Buyer and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

In addition, the Indenture provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of a Class H Note (or any interest therein) was not a Qualified Institutional Buyer (or in the case of a U.S. Person, was not both a Qualified Purchaser and a Qualified Institutional Buyer) at the time of its acquisition thereof, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest in such Note (or interest therein) to a Person that is a Qualified Institutional Buyer (or in the case of a U.S. Person, a Person that is both a Qualified Purchaser and a Qualified Institutional Buyer) with such sale to be effected within 30 days after

notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Issuer, the Trustee (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's interest in such Note or to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is a Qualified Institutional Buyer (or, in the case of a U.S. Person, both a Qualified Purchaser and a Qualified Institutional Buyer) and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner

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

(vii) Rated Notes in the form of Definitive Notes may be exchanged or transferred in whole or in part in the principal amount of authorized denominations by surrendering such Definitive Notes at the office of the Note Registrar or any Transfer Agent with a written instrument of transfer as provided in the Indenture. In addition, if the Definitive Notes being exchanged or transferred contain a legend, additional certifications to the effect that such exchange or transfer is in compliance with the restrictions contained in such legend may be required. With respect to any transfer of a portion of a Definitive Note, the transferor will be entitled to receive, at any aforesaid office, a new Definitive Note representing the principal amount retained by the transferor after giving effect to such transfer. Definitive Notes issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the Transfer Agent. No Definitive Class A Note, Class B Note, Class C Note, Class D Note, Class E Note, Class F Note or Class G Note may be transferred and the Co-Issuers will not recognize the transfer unless such transferee represents and warrants either that (a) it is not (and for so long as it holds such Note will not be), and is not acting on behalf of (and for so long as it holds such Note will not be acting on behalf of), an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, a "plan" described in Section 4975(e)(1) of the Code, an entity which is deemed to hold plan assets of any of the foregoing by reason of investment by an employee benefit plan or plan in such entity or a foreign, church or governmental plan which is subject to any applicable law that is substantially similar to ERISA or Section 4975 of the Code, or (b) its purchase, ownership and disposition of such Note will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a foreign, church or governmental plan, any substantially similar applicable law). No Definitive Class H Note may be transferred and the Co-Issuers will not recognize the transfer unless such transferee represents and warrants that it is not (and for so long as it holds such Note will not be), and is not acting on behalf of (and for so long as it holds such Note will not be acting on behalf of), a Benefit Plan Investor. No Definitive Class H Note may be transferred to a transferee that is a foreign, church or governmental plan unless such transferee represents and warrants that its acquisition, holding and disposition of such Note will not result in a nonexempt prohibited transaction under, or a violation of, any applicable law that is substantially similar to ERISA or Section 4975 of the Code.

(viii) No service charge will be made for exchange or registration of transfer of any Rated Note but the Trustee may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith and expenses of delivery (if any) not made by regular mail.

(ix) Definitive Notes issued upon any exchange or registration of transfer of securities shall be valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits, as the Definitive Notes surrendered upon exchange or registration of transfer.

(x) The Note Registrar will effect transfers of Global Notes. In addition, the Note Registrar will keep in the Note Register records of the ownership, exchange and transfer of any Rated Note in definitive form.

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

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

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

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

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

available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("Indirect Participants").

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

No Gross-Up

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

The Indenture

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

Events of Default

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

(i) a default in the payment of any interest (A) on any Class A-1 Note, Class A-2 Note or Class B Note, (B) if there are no Notes Senior to the Class C Notes outstanding, on the Class C Notes when the same becomes due and payable, (C) if there are no Rated Notes Senior to the Class D Notes outstanding, on the Class D Notes when the same becomes due and payable, (D) if there are no Notes Senior to the Class E Notes outstanding, on any Class E Notes when the same becomes due and payable, (E) if there are no Rated Notes Senior to the Class F Notes outstanding, on any Class F Notes when the same becomes due and payable, (G) if there are no Rated Notes Senior to the Class G Notes outstanding, on any Class G Notes when the same becomes due and payable or (H) if there are no Rated Notes Senior to the Class H Notes outstanding, on any Class H Notes when the same becomes due and payable, in each case which default continues for a period of three (3) Business Days, such three Business Day period not to be abridged or extended unless the consent of all holders of Outstanding Notes is obtained (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, a Paying Agent or the Note Registrar, such default continues for a period of seven days after written notice thereof to the Issuer);

(ii) a default in the payment of principal of any Rated Note when the same becomes due and payable at its Stated Maturity or Redemption Date (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, a Paying Agent or the Note Registrar, such default continues for a period of seven days after written notice thereof to the Issuer);

(iii) the failure on any Distribution Date to disburse amounts available in the Interest Collection Account or Principal Collection Account in accordance with the order of priority set forth above under "Description of the Rated Notes—Priority of Payments" (other than a default in payment described in clause (i) or (ii) above), which failure continues for a period of three Business Days, such three Business Day period not to be abridged or extended unless the consent of all holders of Outstanding Rated Notes is obtained (or, in the case of a failure resulting solely from an administrative error or omission by the Trustee, a Paying Agent or the Note Registrar, such default continues for a period of seven days after written notice thereof);

(iv) the Issuer, the Co-Issuer or the pool of Collateral becomes an investment company required to be registered under the 1940 Act;

(v) (i) a default in the performance, or a breach, of any other covenant or other agreement (other than the covenant to satisfy the Coverage Tests and the Collateral Quality Tests) of the Issuer under the Indenture or (ii) any representation or warranty of the Issuer made in the Indenture or in any certificate or other writing delivered pursuant hereto or in connection herewith proves to be incorrect in any material respect when made, and, in the case of both clauses (i) and (ii) above, the continuation of such default or breach for a period of 30 days (or, if such default or breach has an adverse effect on the validity, perfection or priority of the security interest granted under the Indenture, 15 days) after the Issuer or the Collateral Manager has actual knowledge that such default or breach has occurred or after written notice thereof to the Issuer and the Collateral Manager by the Trustee, or to the Issuer, the Collateral Manager and the Trustee by the holders of at least 25% in Aggregate Outstanding Principal Amount of Notes of the Controlling Class or the Hedge Counterparty;

(vi) certain events of bankruptcy, insolvency, receivership or reorganization of the Issuer (as set forth in the Indenture);

(vii) one or more final judgments being rendered against the Issuer or the Co-Issuer that exceed, in the aggregate, U.S.$5,000,000 and which remain unstayed, undischarged and unsatisfied for 30 days after such judgment(s) becomes nonappealable, unless adequate funds have been reserved or set aside for the payment thereof, and unless (except as otherwise specified in writing by each Rating Agency) the Rating Condition shall have been satisfied by Standard & Poor's and Moody's; or

(viii) the failure, on any Measurement Date, of the Class A/B Overcollateralization Ratio to be equal to or greater than 100%.

If either the Issuer or the Co-Issuer shall obtain actual knowledge that a Default or an Event of Default has occurred and is continuing, the Issuer or the Co-Issuer, as applicable, shall promptly notify the Trustee, the Collateral Manager, the holders of the Offered Securities, the Hedge Counterparty and each Rating Agency in writing of such Default or Event of Default.

If an Event of Default occurs and is continuing (other than an Event of Default described in clause (vi) under "Events of Default" above), with the consent of the holders of a majority in aggregate outstanding principal amount of the Notes of the Controlling Class, the Trustee may, and, at the direction of the holders of a majority in aggregate outstanding principal amount of the Notes of the Controlling Class, the Trustee shall, declare the principal of and accrued and unpaid interest on all of the Notes to be immediately due and payable. If an Event of Default described in clause (vi) above under "Events of Default" occurs, such an acceleration will occur automatically and without any further action. Notwithstanding the foregoing, if the sole Event of Default is an Event of Default described in clause (i) or clause (ii) above under "Events of Default" with respect to a default in the payment of any principal of

or interest on the Notes of a Class other than the Controlling Class, neither the Trustee nor the holders of such non-Controlling Class will have the right to declare such principal and other amounts to be immediately due and payable.

The "Controlling Class" will be the outstanding amount of any Class A-1 Notes voting together or, if there are no Class A-1 Notes outstanding, the Class A-2 Notes, or if there are no Class A-2 Notes outstanding, the Class B Notes, or if there are no Class B Notes outstanding, the Class C Notes, or if there are no Class C Notes outstanding, the Class D Notes, or if there are no Class D Notes outstanding, the Class E Notes, or if there are no Class E Notes outstanding, the Class F Notes, or if there are no Class F Notes outstanding, the Class G Notes, or if there are no Class G Notes outstanding, the Class H Notes, or if there are no Class H Notes outstanding, the Income Notes. Any declaration of acceleration may under certain circumstances be rescinded by the holders of a majority in aggregate outstanding principal amount of the Notes of the Controlling Class.

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

(i) the Trustee determines that the anticipated net proceeds of a sale or liquidation of such Collateral would be sufficient to discharge in full the amounts then due and unpaid on the Rated Notes for principal and interest, certain due and unpaid administrative expenses and any accrued and unpaid amounts payable by the Issuer pursuant to the Hedge Agreements, including termination payments (assuming, for this purpose, that each Hedge Agreement has been terminated by reason of an event of default or termination with respect to the Issuer); or

(ii) if the holders of at least 66 2/3% in aggregate outstanding principal amount of each Class of Rated Notes voting as a separate Class direct, subject to the provisions of the Indenture, the sale and liquidation of the Collateral.

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

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

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

The holders of a majority in aggregate outstanding principal amount of the Notes of the Controlling Class, acting with the consent of the Hedge Counterparty, may, prior to the time a judgment

or decree for the payment of money due has been obtained by the Trustee, waive any past default on behalf of the holders of all the Notes and its consequences, except a default in the payment of the principal of any Note or in the payment of interest (including any Defaulted Interest and interest on Defaulted Interest, if any) on the Class A-1 Notes or, after the Class A-1 Notes have been paid in full, the Class A-2 Notes or, after the Class A-2 Notes have been paid in full, the Class B Notes, or, after the Class B Notes have been paid in full, the Class C Notes or, after the Class C Notes have been paid in full, the Class D Notes or, after the Class D Notes have been paid in full, the Class E Notes or, after the Class E Notes have been paid in full, the Class F Notes or, after the Class F Notes have been paid in full, the Class G Notes, or after the Class G Notes have been paid in full, the Class H Notes, or in respect of a provision of the Indenture that cannot be modified or amended without the waiver or consent of the holder of each outstanding Note affected thereby, or arising as a result of an Event of Default described in clause (vi) above under "Events of Default."

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

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

Unless otherwise expressly provided, in determining whether the holders of the requisite percentage of any Securities have given any direction, notice or consent, Securities owned by the Issuer or any affiliate thereof shall be disregarded and deemed not to be outstanding.

Notices

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

Modification of the Indenture

The Indenture provides that the Trustee may not enter into any supplemental indenture unless the Rating Condition shall have been satisfied by Standard & Poor's and Moody's with respect to such supplemental indenture.

With the consent of (x) each holder of each Outstanding Note of each Class materially adversely affected thereby and the holders of a majority of the aggregate outstanding principal amount of the Income Notes (if the Income Notes are materially adversely affected thereby) and (y) the consent of the Hedge Counterparty (if materially adversely affected thereby), the Trustee and the Issuer may enter into one or more supplemental indentures to add provisions to, or change in any manner or eliminate any provisions of, the Indenture or modify in any manner the rights of the holders of the Notes of such Class,

the Income Notes or the Hedge Counterparty, as the case may be, under the Indenture. Unless notified by the holders of a majority of the aggregate outstanding principal amount of any Class of Notes or the Hedge Counterparty that such Class of Notes or the Hedge Counterparty, as the case may be, will be materially adversely affected, the Trustee may, consistent with the written advice of counsel, determine whether or not such Class of Notes or the Hedge Counterparty would be materially adversely affected by such change (after giving notice of such change to the holders of such Class of Notes and the Hedge Counterparty). Such determination shall be conclusive and binding on all present and future holders of the Notes and the Hedge Counterparty.

Notwithstanding the foregoing, the Trustee may not enter into any supplemental indenture without the consent of each holder of each outstanding Rated Note of each Class, each holder of the Income Notes, the Hedge Counterparty (if materially adversely affected thereby) (which consent, in the case of the holders of the Rated Notes and the Income Notes, shall be evidenced by an officer's certificate of the Issuer certifying that such consent has been obtained) and as specified below, if such supplemental indenture proposes to (i) as applicable, change the Stated Maturity of the principal of or the due date of any installment of interest on any Note, reduce the principal amount thereof or the rate of interest thereon, or the redemption price with respect thereto, change the earliest date on which the Issuer may redeem any Note, change the provisions of the Indenture relating to the application of proceeds of any Collateral to the payment of principal of or interest on the Notes, 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 Stated Maturity thereof (or, in the case of redemption, on or after the applicable redemption date), (ii) reduce the percentage in aggregate outstanding principal amount of holders of Notes of each Class whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder or their consequences, (iii) impair or adversely affect the Collateral pledged under the Indenture except as otherwise permitted thereby, (iv) permit the creation of any lien ranking prior to or on a parity with the lien created by the Indenture with respect to any part of the Collateral, or terminate such lien on any property at any time subject thereto or deprives the holder of any Rated Note of the security afforded by the lien created by the Indenture, (v) 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 of outstanding Notes whose holders' consent is required for any such action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby, (vi) modify the definition of the term "Outstanding," the Priority of Payments or the subordination provisions of the Indenture, (vii) change the permitted minimum denominations of any Class of Notes, or (viii) modify any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest on, principal of or distribution on, any Offered Security or the right of the holders of Notes to the benefit of any provisions for the redemption of such Notes contained therein.

Notwithstanding the foregoing, the Issuer may not enter into any supplemental indenture which would increase the duties, liabilities or expenses of the Collateral Manager or affect the fees payable to the Collateral Manager under the Collateral Management Agreement or otherwise adversely affect the Collateral Manager without the Collateral Manager's prior written consent.

The Co-Issuers and the Trustee may also enter into supplemental indentures without obtaining the consent of the holders of any Offered Securities or the Hedge Counterparty in order to (i) evidence the succession of any person to the Issuer and the assumption by such successor of the covenants in the Indenture and the Offered Securities, (ii) add to the covenants of the Issuer or the Trustee for the benefit of the holders of all of the Offered Securities and or to surrender any right or power conferred upon the Issuer, (iii) convey, transfer, assign, mortgage or pledge any property to or with the Trustee, (iv) evidence and provide for the acceptance of appointment by a successor trustee that meets the requirements of 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, (v) correct or amplify the description of any property at any time subject to the lien created by the Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subject to the lien created by the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or subject to the lien created by the Indenture any additional property, (vi) modify the restrictions on and procedures for resales and other transfers of the Offered Securities to reflect any changes in applicable law or regulation (or the interpretation thereof) or to enable the Issuer to rely upon any less restrictive exemption from registration under the Securities Act or the 1940 Act or to remove restrictions on resale and transfer to the extent not required thereunder, (vii) correct any inconsistency, defect or ambiguity in the Indenture, including so as to conform the terms of the Indenture to the disclosure set forth in this Offering Circular, (viii) to make non-material administrative changes as the Issuer deems appropriate, (ix) to avoid imposition of tax on the net income of the Issuer or to avoid the Issuer being required to register as an investment company under the 1940 Act, (x) to facilitate the listing of any of the Offered Securities on any exchange and to authorize the appointment of any listing agent, transfer agent, paying agent, or additional registrar for any Offered Securities appropriate in connection with the listing of any Notes and Combination Notes on any stock exchange, and otherwise to amend the Indenture to incorporate any changes required or requested by any governmental authority, stock exchange authority, listing agent, transfer agent, paying agent, or additional registrar for any Notes and Combination Notes in connection with its appointment; (xi) to modify the REIT/REOC Coverage Tests, the Real Estate Entity Trigger Events and the related definitions thereunder; or (xii) to evidence or implement any change to the Indenture required by regulations or guidelines enacted to support the USA PATRIOT Act or any other similar applicable laws and regulations in the Cayman Islands; *provided,* that in the case of supplemental indentures described in clauses (i) through (xi) above, such supplemental indenture would not materially adversely affect any holder of Notes or materially adversely affect the Hedge Counterparty. Unless notified by (i) holders of a majority in aggregate outstanding principal amount of Notes of any Class that such Class will be materially adversely affected or (ii) the Hedge Counterparty that the Hedge Counterparty will be materially adversely affected, the Trustee may, consistent with the written advice of counsel, determine whether or not the interests of any holders of Notes would be materially adversely affected or the Hedge Counterparty would be materially adversely affected by any such supplemental indenture (after giving notice of such change to each holder of Notes and the Hedge Counterparty). The Trustee may not enter into any supplemental indenture described in this paragraph which could reasonably be expected to materially and adversely affect the Collateral Manager unless the Collateral Manager gives written consent to the Trustee and the Issuer to such supplemental indenture at least one (1) Business Day prior to such execution and delivery (which consent shall not be unreasonably withheld). The Trustee shall not enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating Condition would not be satisfied by Standard & Poor's and Moody's; *provided,* that the Trustee may, with the consent of the holders of 100% of the aggregate outstanding principal amount of Rated Notes of each Class, enter into any such supplemental indenture notwithstanding any such reduction or withdrawal of the ratings of any outstanding Class of Rated Notes.

Modification of Certain Other Documents

Prior to entering into any amendment to the Collateral Management Agreement, the Collateral Administration Agreement or any Hedge Agreement, the Issuer is required by the Indenture to obtain the written confirmation of Standard & Poor's and Moody's that the entry by the Issuer into such amendment satisfies the Rating Condition. Prior to entering into any waiver in respect of any of the foregoing agreements, the Issuer is required to provide each Rating Agency, the Hedge Counterparty and the Trustee with written notice of such waiver. The amendment to and waiver of provisions of the Collateral Management Agreement are also subject to additional restrictions as described herein under "Collateral Management—The Collateral Management Agreement."

Consolidation, Merger or Transfer of Assets

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

Petitions for Bankruptcy

The Indenture provides that the holders of the Notes (other than the Notes of the Controlling Class) agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Issuer before a period equal to one year and one day has elapsed since the final payments to the holders of the Controlling Class (or the holders of the Combination Notes in respect of the Note Components of the Controlling Class, if any) or, if longer, the applicable preference period then in effect, including any period established pursuant to the laws of the Cayman Islands.

Satisfaction and Discharge of Indenture

The Indenture will be discharged with respect to the Collateral upon delivery to the Trustee for cancellation of all of the Notes, or, within certain limitations (including the obligation to pay principal and interest, including Defaulted Interest and interest on Defaulted Interest), upon deposit with the Trustee of funds sufficient for the payment or redemption of the Notes and the payment by the Issuer of all other amounts due under the Notes, the Indenture, the Hedge Agreements, the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement and the other documents executed in connection with the Indenture.

Trustee

JPMorgan Chase Bank, National Association, a national banking association, will be the Trustee under the Indenture. The Issuer, the Collateral Manager and their respective affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee is solely the obligation of the Issuer. The Trustee and its affiliates may receive compensation in connection with the investment of trust assets in certain Eligible Investments as provided in the Indenture. Eligible Investments may include investments for which the Trustee and/or its affiliates provide services. The Indenture contains provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture. Pursuant to the Indenture, the Issuer has granted to the Trustee a lien senior to that of the holders of the Rated Notes to secure payment by the Issuer of the compensation and expenses of the Trustee and any sums the Trustee may be entitled to receive as indemnification by the Issuer under the Indenture (subject to the dollar limitations set forth in the Priority of Payments with respect to any Distribution Date), which lien the Trustee is entitled to exercise only under certain circumstances. In the Indenture, the Trustee will agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Issuer for nonpayment to the Trustee of amounts payable thereunder until at least one year and one day or, if longer, the applicable preference period then in effect, after the payment in full of all of the Notes.

Pursuant to the Indenture, the Trustee may resign at any time by providing 30 days' notice and the Trustee may be removed at any time by the holders of a majority in aggregate outstanding principal amount of each Class of Rated Notes with the consent of the Collateral Manager or at any time when an Event of Default shall have occurred and be continuing by the holders of a majority in aggregate outstanding principal amount of the Notes of the Controlling Class. However, no resignation or removal of the Trustee will become effective until the acceptance of appointment by a successor trustee pursuant to the terms of the Indenture. The Indenture will require that any successor trustee or additional trustee (i)

be a bank, (ii) have at all times an aggregate capital, surplus and undivided profits of at least U.S.$200,000,000 (*provided*, that if such trustee publishes reports of condition at least annually, pursuant to law or to the requirements of its supervising or examining authority, for purposes of such requirement, the aggregate capital, surplus and undivided profits of such trustee shall be deemed to be its aggregate capital, surplus and undivided profits as set forth in its most recent report of condition so published), (iii) is not affiliated (as such term is defined in Rule 405 under the Securities Act) with the Issuer or with any person involved with the organization or operation of the Issuer, (iv) does not offer or provide credit or credit enhancement to the Issuer, and (v) enter into an Indenture that provides that the Trustee shall not resign until either (a) the Pledged Securities have been completely liquidated and the proceeds of such liquidation have been distributed to the holders of the Notes or (b) a successor trustee meeting the requirements of the Indenture has been designated and has accepted such trusteeship.

The Trustee is a wholly-owned subsidiary of JPMorgan Chase & Co. JPMorgan Chase & Co. has entered into an agreement with The Bank of New York Company, Inc. pursuant to which JPMorgan Chase & Co. intends to exchange select portions of the Trustee's corporate trust business, including municipal, corporate and structured finance trusteeships (including the Trustee's services under the Indenture), for the consumer, small-business and middle-market banking businesses of The Bank of New York Company, Inc. This transaction has been approved by both companies' boards of directors and is subject to regulatory approvals. It is expected to close in the late third quarter or fourth quarter of 2006.

Characterization of the Notes

The Issuer intends to treat the Rated Notes as indebtedness of the Issuer, and the Income Notes as equity of the Issuer, for U.S. Federal, state and local income tax purposes. The Indenture will provide that each holder, by accepting a Note, agrees to such treatment and agrees to report all income (or loss) in accordance with such characterization unless it discloses a contrary position on its tax return.

Governing Law

The Indenture, the Offered Securities, the Collateral Management Agreement, the Hedge Agreements and the Collateral Administration Agreement will be governed by, and construed in accordance with, the law of the State of New York. The Issuer Charter and the Administration Agreement will be governed by, and construed in accordance with, the law of the Cayman Islands.

DESCRIPTION OF THE INCOME NOTES

The Income Notes will be issued pursuant to the Indenture. Certain provisions of the Indenture are summarized above under "Description of the Rated Notes—The Indenture." Such summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture. Copies of the Indenture may be obtained by prospective investors upon request to the Trustee at JPMorgan Chase Tower, 600 Travis Street, 50th Floor, Houston, Texas 77002, Attention: Worldwide Securities Services – KODIAK CDO I, LTD., or to the Irish Paying Agent at RSM Robson Rhodes LLP, RSM House, Herbert Street, Dublin 2, Ireland if and for so long as any Income Notes are listed on the Irish Stock Exchange.

Status

The Income Notes will be non-recourse debt obligations of the Issuer. All of the Income Notes are entitled to receive payments *pari passu* among themselves. All of the Income Notes will be issued on the Closing Date and the entire principal amount of the Income Notes will be advanced on the Closing Date.

The Income Notes are Subordinate to all Classes of the Rated Notes. No distributions will be made on the Income Notes out of (a) Interest Proceeds until all accrued and unpaid interest (including Deferred Interest) on each Class of Rated Notes that remains outstanding (including the Class H Note Component) has been paid in full in accordance with the Priority of Payments and (b) Principal Proceeds, until all accrued and unpaid interest (including Deferred Interest) on, and principal of, each Class of Rated Notes that remains outstanding (including the Class H Note Component) has been paid in full in accordance with the Priority of Payments. In addition, (a) if any Coverage Test is not satisfied as of a relevant Determination Date, no distributions will be made on the Income Notes out of Interest Proceeds until the principal of one or more classes of Rated Notes is paid in accordance with the Priority of Payments to the extent necessary to cause the relevant Coverage Test to be satisfied as of such Determination Date, (b) on any Distribution Date on or after the Distribution Date in May 2007, if a Ramp-Up Ratings Confirmation Failure has occurred, in the event that the Issuer is unable to obtain a Ratings Confirmation after the application of Uninvested Proceeds to pay principal of the Notes, no distributions will be made on the Income Notes until the principal of one or more classes of Rated Notes is paid out of, first, Interest Proceeds, and then, Principal Proceeds, in each case, in accordance with the Priority of Payments, to the extent specified by each Rating Agency in order to obtain a Ratings Confirmation and (c) on the Distribution Date occurring in November 2016 and on each Distribution Date thereafter, no distributions will be made on the Income Notes until 60% of Interest Proceeds that would otherwise be distributed to the holders of the Income Notes have been applied to pay principal of the Rated Notes in reverse order of seniority in accordance with the Priority of Payments. See "Description of the Rated Notes—Priority of Payments."

The Income Notes (including the Income Note Component) will not be secured by any pledge of Collateral.

Distributions

On each Distribution Date, to the extent funds are lawfully available therefor, (a) Interest Proceeds will be released from the lien of the Indenture for payment to the holders of the Income Notes only after the payment of interest on the Rated Notes and the payment of certain other amounts in accordance with the Priority of Payments and (b) Principal Proceeds will be released from the lien of the Indenture for payment to the holders of the Income Notes only after the payment of interest on and principal of the Rated Notes and the payment of certain other amounts in accordance with the Priority of Payments.

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

If any date identified as a Distribution Date (other than a Redemption Date or at Stated Maturity) falls on a day other than a Business Day, the Distribution Date shall be deemed to be the next succeeding Business Day.

All distributions made by the Co-Issuers under the Income Notes will be made without any deduction or withholding for or on the account of any tax unless such deduction or withholding is required by applicable law, as modified by the practice of any relevant governmental revenue authority,

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

For so long as any Income Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, the Issuer will maintain an Irish listing agent and an Irish paying agent with respect to such Income Notes with an office located in Dublin, Ireland.

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

Redemption

The Income Notes will be redeemed by the Issuer at Stated Maturity unless redeemed prior thereto as provided above under "Description of the Rated Notes—Priority of Payments," "—Auction Call Redemption," "—Redemption Procedures" and "—Redemption Price."

The Redemption Price for the Income Notes shall be an amount equal to funds remaining after the redemption of the Rated Notes and payment of all other obligations of the Issuer.

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

Form, Denomination, Registration and Transfer

General

(i) The Income Notes will be subject to certain restrictions on transfer set forth in the Indenture and may bear a legend regarding such restrictions. Income Notes offered in the U.S. to Qualified Purchasers that are also either (x) Qualified Institutional Buyers in reliance on Rule 144A or (y) Accredited Investors that are Rule 3a-7 Persons ("Restricted Income Notes") will be represented by certificates in fully registered, definitive form registered in the name of the legal and beneficial owner thereof (or a nominee acting on behalf of the disclosed legal and beneficial owner thereof).

(ii) The Income Notes offered in reliance upon Regulation S ("Regulation S Income Notes") to Non U.S. Persons that are also Qualified Institutional Buyers or Rule 3a-7 Persons will be represented by one or more global certificates in fully registered form deposited with, and registered in the name of DTC (or its nominee) and deposited with the Trustee as custodian on behalf of DTC initially for the accounts of Euroclear Bank, as operator of Euroclear, and/or Clearstream, Luxembourg. Interests in the Regulation S Income Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants (including Euroclear and Clearstream, Luxembourg). Interests in a Regulation S Income Note may be held only through Euroclear or Clearstream, Luxembourg.

(iii) Owners of beneficial interests in Regulation S Income Notes will be entitled or required under certain limited circumstances described below, to receive physical delivery of certificated Income Notes ("Definitive Income Notes") in fully registered, definitive form. No owner of an interest in a Regulation S Income Note will be entitled to receive a Definitive Income Note unless such person provides certification that the Definitive Income Note is beneficially owned by a person that is not a U.S. Person (as defined in Regulation S) and that is a Qualified Institutional Buyer.

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

(v) The Income Notes will be issuable in a minimum denomination of U.S.$250,000 and will be offered only in such minimum denomination or an integral multiple of U.S.$1,000 in excess thereof.

(vii) The Income Notes are not issuable in bearer form.

Regulation S Income Notes

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

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

(iii) Payments of distributions in respect of an individual Regulation S Income Note registered in the name of a depositary or its nominee will be made to the depositary or its nominee, as the case may be, as the registered owner of the Regulation S Income Note. None of the Issuer and the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Regulation S Income Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(iv) With respect to the Regulation S Income Notes, the Issuer expects that the depositary for any Regulation S Income Note or its nominee, upon receipt of any payment of principal of or interest on such Regulation S Income Note, will immediately credit the accounts of Participants with payments in

amounts proportionate to their respective beneficial interests in the principal amount of such Regulation S Income Note as shown on the records of the depositary or its nominee. The Issuer also expects that payments by Participants to owners of beneficial interests in such Regulation S Income Note held through such Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the name of nominees for such customers. Such payments will be the responsibility of such Participants.

Definitive Income Notes

Restricted Income Notes are permitted to be issued only in the form of certificated Definitive Income Notes. Interests in a Regulation S Income Note will be exchangeable or transferable, as the case may be, for a Regulation S Income Note that is a Definitive Income Note if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Note, (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuer within 30 days, (c) the transferee of an interest in such Regulation S Income Note is required by law to take physical delivery of securities in definitive form or (d) the transferee is otherwise unable to pledge its interest in a Regulation S Income Note. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause Definitive Income Notes bearing an appropriate legend regarding restrictions on transfer to be delivered. Upon the transfer, exchange or replacement of Definitive Income Notes bearing a legend, or upon specific request for removal of a legend on an Income Note, the Issuer shall deliver through the Trustee or any Paying Agent to the holder and the transferee, as applicable, one or more Definitive Income Notes in certificated form corresponding to the principal amount of Definitive Income Notes surrendered for transfer, exchange or replacement that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of U.S. counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein is required to ensure compliance with the provisions of the Securities Act or the 1940 Act. Definitive Income Notes will be exchangeable or transferable for interests in other Definitive Income Notes as described below.

Transfer and Exchange of Income Notes

(i) Transfers by a holder of a beneficial interest in a Regulation S Income Note to a transferee who takes delivery of such interest through a Restricted Income Note will be made only in accordance with the Applicable Procedures and upon receipt by the Note Registrar of written certifications (1) from the transferor of such beneficial interest in the form provided in the Indenture to the effect that, among other things, such transfer is being made to a Qualified Purchaser that the transferor reasonably believes is either (x) a Qualified Institutional Buyer or (y) an Accredited Investor that is also a Rule 3a-7 Person, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and (2) from the transferee of such beneficial interest in the form provided for in the Indenture to the effect that, among other things, the transferee is both a Qualified Purchaser and either (x) a Qualified Institutional Buyer or (y) an Accredited Investor that is also a Rule 3a-7 Person.

(ii) Transfers by a holder of a beneficial interest in a Regulation S Income Note to a transferee who takes delivery of such interest through a Regulation S Income Note will be made only to a transferee who is a Qualified Institutional Buyer or a Rule 3a-7 Person that is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S in accordance with the Applicable Procedures and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

(iii) An owner of a beneficial interest in a Regulation S Income Note or Restricted Income Note may transfer such interest without the provision of written certification if the transferee is a non-U.S. Person that obtains a beneficial interest in a Regulation S Income Note; *provided*, that each initial purchaser of an Income Note (or any interest in an Income Note) represents, warrants and covenants that it will not transfer such Income Note (or any interest therein) without providing the Issuer and the Trustee with a written certification from the transferee thereof that such transferee is a Qualified Institutional Buyer or Rule 3a-7 Person, and that such transferee will obtain the same representation, warranty and covenant from any entity to whom it transfers such Income Note (or any interest therein).

(iv) Transfers by a holder of a Restricted Income Note to a transferee who takes delivery of a Restricted Income Note will only be made upon receipt by the Note Registrar of written certifications (1) from the transferor of such beneficial interest in the form provided in the Indenture to the effect that, among other things, such transfer is being made to a Qualified Purchaser that the transferor reasonably believes is either (x) a Qualified Institutional Buyer or (y) an Accredited Investor that is also a Rule 3a-7 Person, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and (2) from the transferee of such beneficial interest in the form provided for in the Indenture to the effect that, among other things, the transferee is both a Qualified Purchaser and either (x) a Qualified Institutional Buyer or (y) an Accredited Investor that is also a Rule 3a-7 Person.

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

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

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

(viii) Because of time zone differences, cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in Regulation S Income Notes by or through a Euroclear or

Clearstream, Luxembourg participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day following settlement in DTC.

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

(x) Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in a Regulation S Income Note among participants of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer and the Trustee will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

(xi) The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of Income Notes was not a Qualified Institutional Buyer or a Rule 3a-7 Person (or, in the case of a U.S. Person, was not both a Qualified Purchaser and either (x) a Qualified Institutional Buyer or (y) an Accredited Investor that is also a Rule 3a-7 Person) at the time of its acquisition thereof, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Income Notes (or interest therein) to a Person that is a Qualified Institutional Buyer (or, in the case of a U.S. Person, that is both a Qualified Purchaser and a Qualified Institutional Buyer), with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Issuer, the Trustee (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's interest in such Income Notes to be transferred in a commercially reasonable sale (conducted by the Trustee (on behalf of and at the expense of the Issuer) in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York) to a person that certifies to the Trustee, the Issuer and the Collateral Manager, in connection with such transfer, that such person is a Qualified Institutional Buyer or a Rule 3a-7 Person (or, in the case of a U.S. Person, both a Qualified Purchaser and either (x) a Qualified Institutional Buyer or (y) an Accredited Investor that is also a Rule 3a-7 Person) and (ii) pending such transfer, no further payments will be made in respect of such Income Note held by such beneficial owner.

(xii) In addition, no Reg Y Institution may transfer any Income Notes held by it to any person other than (a) a person or group of persons under common control that controls the Issuer without reference to any Income Notes transferred to such person or group by such Reg Y Institution (a "Controlling Party"), (b) a person or persons designated by a Controlling Party, (c) in a widespread public distribution as part of a public offering, (d) in amounts such that, after giving effect thereto, no single transferee and its affiliates will hold more than 2.0% of the aggregate number of Income Notes (including all options, warrants and similar rights exercisable or convertible into Income Notes) or (e) as otherwise permitted by applicable U.S. Federal banking law and regulations. See "Transfer Restrictions."

(xiii) (A) No Income Note (or an interest therein) may be transferred and none of the Issuer, the Co-Issuer, or the Trustee will recognize any such transfer unless such transferee represents and warrants that it is not (and for so long as it holds such Income Note will not be), and is not acting on

behalf of (and for so long as it holds such Income Note will not be acting on behalf of), a Benefit Plan Investor or a Controlling Person.

(B) No Income Note (or any interest therein) may be transferred to a transferee that is a foreign, church or governmental plan unless such transferee represents and warrants that its acquisition, holding and disposition of such Note will not result in a nonexempt prohibited transaction under, or a violation of, any applicable law that is substantially similar to ERISA or Section 4975 of the Code.

(xiv) No service charge will be made for exchange or registration of transfer of any Income Note but the Trustee may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith and expenses of delivery (if any) not made by regular mail.

(xv) The Trustee will effect exchanges and transfers of Income Notes. All Income Notes issued upon any exchange or registration of transfer are entitled to the same benefits as the Income Notes surrendered upon exchange or registration of transfer.

(xvi) In addition, the Trustee will keep in the Note Register records of the ownership, exchange and transfer of the Income Notes.

No Gross-Up

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

Miscellaneous

For so long as any Income Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, the Co-Issuers will maintain an Irish listing agent and an Irish paying agent with respect to such Income Notes with an office located in Dublin, Ireland.

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

The Issuer intends to treat the Income Notes as equity of the Issuer for U.S. Federal, state and local income tax purposes. The Indenture will provide that each holder, by accepting an Income Note, agrees to such treatment and agrees to report all income (or loss) in accordance with such characterization.

DESCRIPTION OF THE COMBINATION NOTES

On the Closing Date, the Issuer will issue U.S.$28,000,000 Combination Notes. The Combination Notes will be comprised of Note Components representing a U.S.$10,000,000 Class H Note Component and a U.S.$18,000,000 Income Note Component. Each of the Combination Notes is a single security and the Note Components are not transferable separately. However, a holder may exchange all or a proportionate amount of each Note Component of its Combination Notes with the Trustee for proportional interests in the underlying Note Components, subject to the minimum denomination requirements applicable to such underlying Note Component. Holders of Class H Notes and Income Notes may not exchange such Notes for Combination Notes.

Any references to the Class H Notes includes the related Class H Note Component, and the related Class H Note Component is included in (and not in addition to) the original principal amount of the Class H Notes. Any references to the Income Notes includes the Income Note Components, and the Income Note Components are included in (and not in addition to) the original principal amount of Income Notes.

The Combination Notes do not bear interest at a stated rate and are entitled only to the payments to which the Notes represented by its Note Components are entitled. The Issuer's only obligation in respect of the Combination Notes is to pay through to the holders of the Combination Notes the amount received on their respective Note Components. On each Distribution Date on which payments, whether payments of principal or interest, or payments made upon a redemption or otherwise, are made with respect to the Class H Notes or Income Notes, a portion of such payment will be allocated to the Combination Notes in the proportion that the principal amount of the Class H Note Component bears to the aggregate principal amount of the Class H Notes as a whole (including such Note Component), or that the aggregate principal amount of the Income Note Components, as applicable, bears to the aggregate principal amount of the Income Notes as a whole (including such Note Component), as applicable.

Until such time as a holder of a Combination Note shall, in accordance with the terms of the Indenture, request the exchange of such Combination Note for Class H Notes and Income Notes, none of the Class H Notes or the Income Notes, constituting the Note Components of such Combination Note shall be separately executed, authenticated, delivered or dated pursuant to the Indenture. Notwithstanding the above, the Note Components will nonetheless be deemed to be included in references to the Class H Notes and the Income Notes, as the case may be, represented by such Note Components unless otherwise expressly excluded from any such reference.

The Combination Notes shall be redeemable (i) with respect to the Class H Note Component, by allocation of payments in respect of the Class H Notes to such related Class H Note Component and (ii) with respect to the Income Note Component, by allocation of payments in respect of the Income Notes.

The obligations of the Issuer under the Combination Notes are limited recourse obligations of the Issuer, payable solely to the extent that payments are made on (i) the Class H Notes represented by the Class H Note Component and (ii) the Income Notes represented by the Income Note Component. The Combination Notes are secured solely to the extent to which the underlying Note Components comprising the Combination Notes are secured.

With the consent of a majority of the holders of the Combination Notes materially adversely affected thereby, the Co-Issuers and the Trustee may, at any time and from time to time, enter into one or more supplemental indentures to amend the provisions of the Indenture relating to the Combination Notes; *provided*, that the Trustee may not enter into any supplemental indenture that would amend such provisions in any manner that would, if such amendment were being made to all of the Notes and not just

the Combination Notes, require the consent of all of the holders of Notes, without the consent of all of the Combination Noteholders.

Each holder of a Combination Note will, to the extent of the Class H Note Component, be entitled to the same rights with respect to such Note Component, as if such holder directly held a Class H Note in a principal amount equal to the amount of such Class H Note Component, and will, to the extent of the Income Note Component, be entitled to the same rights with respect to such Income Note Component as if such holder directly held an Income Note in a principal amount equal to the amount of such Income Note Component. Each purchaser of a Combination Note should therefore carefully review each provision of this Offering Circular applicable to the Class H Notes and the Income Notes before deciding whether or not to purchase a Combination Note.

Form, Denomination, Registration and Transfer

(i) The Combination Notes will be subject to certain restrictions on transfer set forth therein and in the Indenture and may bear a legend regarding such restrictions. Combination Notes offered in the U.S. to Qualified Purchasers that are also Qualified Institutional Buyers in reliance on Rule 144A ("Restricted Combination Notes") will be issued in the form of certificated Combination Notes in definitive, fully registered form without interest coupons, registered in the name of the legal and beneficial owner thereof (or a nominee acting on behalf of the disclosed legal and beneficial owner thereof).

(ii) The Combination Notes offered in reliance upon Regulation S ("Regulation S Combination Notes") will be represented by one or more permanent global notes ("Regulation S Global Combination Notes") in fully registered form deposited with, and registered in the name of DTC (or its nominee) and deposited with the Trustee as custodian on behalf of DTC initially for the accounts of Euroclear Bank, as operator of Euroclear, and/or Clearstream, Luxembourg. Interests in the Regulation S Global Combination Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants (including Euroclear and Clearstream, Luxembourg). Interests in a Regulation S Global Combination Note may be held only through Euroclear or Clearstream, Luxembourg.

(iii) Owners of beneficial interests in Regulation S Global Combination Notes will be entitled or required under certain limited circumstances described below, to receive physical delivery of certificated Combination Notes (together with the Restricted Combination Notes, "Definitive Combination Notes") in fully registered, definitive form. No owner of an interest in a Regulation S Global Combination Note will be entitled to receive a Definitive Combination Note unless such person provides certification that the Definitive Combination Note is beneficially owned by a person that is either (a) a Qualified Institutional Buyer that is not a U.S. Person (as defined in Regulation S), in the case of a Regulation S Global Combination Note or (b) a Qualified Purchaser that is also a Qualified Institutional Buyer, in the case of a Restricted Combination Note.

(iv) In its capacity as Note Registrar pursuant to the Indenture, JPMorgan Chase Bank, National Association has been appointed and will serve as the registrar with respect to the Combination Notes and will provide for the registration of Combination Notes and the registration of transfers of Combination Notes in the Note Register. In its capacity as Transfer Agent pursuant to the Indenture, JPMorgan Chase Bank, National Association also will serve as a transfer agent with respect to the Combination Notes. The Note Registrar shall permit the exchange or transfer of any beneficial interest in any Combination Note for a beneficial interest in a Combination Note only upon provision to the Note Registrar and the Issuer of a written certification in the form required by the Indenture.

(v) The Combination Notes will be issuable in a minimum denomination of U.S.$250,000, and only in integral multiples of U.S.$1,000 in excess thereof. After issuance, Combination Notes may fail to be in compliance with the minimum denomination requirement as a result of the repayment of principal thereof in accordance with the Priority of Payments and may fail to be in an amount which is an integral multiple of U.S.$1,000 due to the addition to the principal amount thereof of Class H Deferred Interest in respect of the Class H Note Component.

(vi) The Combination Notes will not be issuable in bearer form.

Restricted Combination Notes

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

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

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

Regulation S Combination Notes

(i) So long as the depositary for a Regulation S Global Combination Note, or its nominee, is the registered holder of such Regulation S Global Combination Note, such depositary or such nominee, as the case may be, will be considered the absolute owner or holder of such Combination Note, as the case may be, represented by such Regulation S Global Combination Note for all purposes under the Indenture and the Combination Note, and members of, or participants in, the depositary (as used in this section, the "Participants") as well as any other persons on whose behalf Participants may act (including Euroclear and Clearstream, Luxembourg and account holders and participants therein) will have no rights under the Indenture or under a Combination Note. Owners of beneficial interests in a Regulation S Global Combination Note will not be considered to be the owners or holders of any Combination Note under the

Indenture. In addition, no beneficial owner of an interest in a Regulation S Global Combination Note will be able to exchange or transfer that interest, except in accordance with the applicable procedures of the depositary and, in the case of a Regulation S Global Combination Note, Euroclear or Clearstream, Luxembourg (in addition to those under the Indenture), in each case to the extent applicable (as used in this section, the "Applicable Procedures").

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

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

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

Definitive Combination Notes

Restricted Combination Notes are permitted to be issued only in the form of certificated Definitive Combination Notes. Interests in a Regulation S Combination Note will be exchangeable or transferable, as the case may be, for a Regulation S Combination Note that is a Definitive Combination Note if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Note, (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuer within 30 days, (c) the transferee of an interest in such Regulation S Combination Note is required by law to take physical delivery of securities in definitive form or (d) the transferee is otherwise unable to pledge its interest in a Regulation S Combination Note. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause Definitive Combination Notes bearing an appropriate legend regarding restrictions on transfer to be delivered. Upon the transfer, exchange or replacement of Definitive Combination Notes bearing a legend, or upon specific request for removal of a legend on a Combination Note, the Issuer shall deliver through the Trustee or any Paying Agent to the holder and the transferee, as applicable, one or more Definitive Combination Notes in certificated form corresponding to the principal amount of Definitive Combination Notes surrendered for transfer, exchange or replacement that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of U.S. counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on

transfer set forth therein is required to ensure compliance with the provisions of the Securities Act or the 1940 Act. Definitive Combination Notes will be exchangeable or transferable for interests in other Definitive Combination Notes as described below.

Transfer and Exchange of Combination Notes

(i) Transfers by a holder of a beneficial interest in a Regulation S Combination Note to a transferee who takes delivery of such interest through a Restricted Combination Note will be made only in accordance with the Applicable Procedures and upon receipt by the Note Registrar of written certifications (1) from the transferor of such beneficial interest in the form provided in the Indenture to the effect that, among other things, such transfer is being made to a Qualified Purchaser that the transferor reasonably believes is a Qualified Institutional Buyer purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and (2) from the transferee of such beneficial interest in the form provided for in the Indenture to the effect that, among other things, the transferee is both a Qualified Purchaser and a Qualified Institutional Buyer.

(ii) Transfers by a holder of a beneficial interest in a Regulation S Combination Note to a transferee who takes delivery of such interest through a Regulation S Combination Note will be made only to a transferee who is a Qualified Institutional Buyer that is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S in accordance with the Applicable Procedures and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

(iii) An owner of a beneficial interest in a Regulation S Combination Note or Restricted Combination Note may transfer such interest without the provision of written certification if the transferee is a non-U.S. Person that obtains a beneficial interest in a Regulation S Combination Note; *provided*, that each initial purchaser of an Combination Note (or any interest in an Combination Note) represents, warrants and covenants that it will not transfer such Combination Note (or any interest therein) without providing the Issuer and the Trustee with a written certification from the transferee thereof that such transferee is a Qualified Institutional Buyer and that such transferee will obtain the same representation, warranty and covenant from any entity to whom it transfers such Combination Note (or any interest therein).

(iv) Transfers by a holder of a Restricted Combination Note to a transferee who takes delivery of a Restricted Combination Note will only be made upon receipt by the Note Registrar of written certifications (1) from the transferor of such beneficial interest in the form provided in the Indenture to the effect that, among other things, such transfer is being made to a Qualified Purchaser that the transferor reasonably believes is a Qualified Institutional Buyer purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and (2) from the transferee of such beneficial interest in the form provided for in the Indenture to the effect that, among other things, the transferee is both a Qualified Purchaser and a Qualified Institutional Buyer.

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

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

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

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

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

(x) Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in a Regulation S Combination Note among participants of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer and the Trustee will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

(xi) The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of Combination Notes was not a Qualified Institutional Buyer at the time of its acquisition thereof, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Combination Notes (or interest

therein) to a Person that is a Qualified Institutional Buyer (or, in the case of a U.S. Person, that is both a Qualified Purchaser and a Qualified Institutional Buyer), with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Issuer, the Trustee (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's interest in such Combination Notes to be transferred in a commercially reasonable sale (conducted by the Trustee (on behalf of and at the expense of the Issuer) in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York) to a person that certifies to the Trustee, the Issuer and the Collateral Manager, in connection with such transfer, that such person is a Qualified Institutional Buyer (or, in the case of a U.S. Person, both a Qualified Purchaser and a Qualified Institutional Buyer and (ii) pending such transfer, no further payments will be made in respect of such Combination Note held by such beneficial owner.

(xii) In addition, no Reg Y Institution may transfer any Combination Notes held by it to any person other than (a) a person or group of persons under common control that controls the Issuer without reference to any Combination Notes transferred to such person or group by such Reg Y Institution (a "Controlling Party"), (b) a person or persons designated by a Controlling Party, (c) in a widespread public distribution as part of a public offering, (d) in amounts such that, after giving effect thereto, no single transferee and its affiliates will hold more than 2.0% of the aggregate number of Combination Notes (including all options, warrants and similar rights exercisable or convertible into Combination Notes) or (e) as otherwise permitted by applicable U.S. Federal banking law and regulations. See "Transfer Restrictions."

(xiii) (A) No Combination Note (or any interest therein) may be transferred and none of the Issuer, the Trustee or the Transfer Agent will recognize any such transfer unless such transferee represents and warrants that it is not (and for so long as it holds such Combination Note will not be), and is not acting on behalf of (and for so long as it holds such Combination Note will not be acting on behalf of), a Benefit Plan Investor or a Controlling Person.

(B) No Combination Note (or any interest therein) may be transferred to a transferee that is a foreign, church or governmental plan unless such transferee represents and warrants that its acquisition, holding and disposition of such Note will not result in a nonexempt prohibited transaction under, or a violation of, any applicable law that is substantially similar to ERISA or Section 4975 of the Code.

(xiv) No service charge will be made for exchange or registration of transfer of any Combination Note but the Trustee (on behalf of the Note Registrar) may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith and expenses of delivery (if any) not made by regular mail.

(xv) The Note Registrar will effect exchanges and transfers of Combination Notes. All Combination Notes issued upon any exchange or registration of transfer are entitled to the same benefits as the Combination Notes surrendered upon exchange or registration of transfer.

(xv) In addition, the Note Registrar will keep in the Combination Note Register records of the ownership, exchange and transfer of the Combination Notes.

USE OF PROCEEDS

The gross proceeds received from the issuance and sale of the Offered Securities will be approximately U.S.$770,666,600. A portion of such proceeds will be used to pay the organizational expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers and the Placement Agents), to pay expenses relating to the acquisition of the Collateral Debt

Securities, to pay the expenses of offering the Offered Securities (including placement agency fees payable in connection with the placement of the Offered Securities and any upfront or structuring fees paid to the Collateral Manager or an affiliate), to make an initial deposit into the Expense Account of U.S.$50,000. The net proceeds received from the sale and issuance of the Offered Securities will be approximately U.S.$751,948,881 and will be used by the Issuer to purchase a diversified portfolio of securities consisting of Collateral Debt Securities that satisfy the investment criteria described herein. On the Closing Date, the Issuer expects to have purchased (or entered into commitments to purchase, for settlement on or following the Closing Date) Collateral Debt Securities, which will comprise approximately 66% of the Aggregate Ramp-Up Par Amount. Any such proceeds not invested in Collateral Debt Securities or deposited into the Expense Account will be deposited by the Trustee in the Uninvested Proceeds Account and invested in Eligible Investments pending the use of such proceeds for the purchase of Collateral Debt Securities, as described herein, and, in certain limited circumstances described herein, for the payment of the Notes. The Issuer expects that, no later than the 180th day following the Closing Date, it will have purchased Collateral Debt Securities having an aggregate principal balance at least equal to the Aggregate Par Amount. See "Security for the Rated Notes."

RATINGS OF THE OFFERED SECURITIES

It is a condition to the issuance of the Offered Securities that the Class A Notes be rated "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), "AAA" by Fitch, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's" and, together with Standard & Poor's and Fitch, the "Rating Agencies"), that the Class B Notes be rated at least "AA" by Standard & Poor's, "AA" by Fitch and "Aa1" by Moody's, that the Class C Notes be rated at least "AA" by Standard & Poor's, "AA" by Fitch and "Aa3" by Moody's, that the Class D Notes be rated at least "AA-" by Standard & Poor's and "AA-" by Fitch, that the Class E Notes be rated at least "A" by Standard & Poor's and "A" by Fitch, that the Class F Notes be rated at least "BBB+" by Standard & Poor's and "BBB+" by Fitch, that the Class G Notes be rated at least "BBB" by Standard & Poor's and "BBB" by Fitch, that the Class H Notes be rated at least "BB+" by Standard & Poor's and "BB+" by Fitch and that the Combination Notes be rated at least "BB+" by Standard & Poor's. The ratings of the Class A Notes and the Class B Notes from Moody's address the ultimate payment of principal of and interest on such Rated Notes. The ratings of the Class A Notes and the Class B Notes from Standard & Poor's and Fitch address the ultimate payment of principal of, and the timely payment of interest on such Notes. The ratings of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes from the Rating Agencies address the ultimate payment of principal of and interest on such Notes. The ratings of the Combination Notes from Standard & Poor's address the ultimate receipt of the related Initial Combination Notes Outstanding Balance. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

"Initial Combination Notes Outstanding Balance" means with respect to the Combination Notes, an amount equal to the initial principal amount of such Combination Note. Solely for purposes of the rating of the Combination Notes by Standard & Poor's, all payments on the Combination Note will be deemed to reduce the Initial Combination Notes Outstanding Balance.

Seven days after the Ramp-Up Completion Date, the Board or a board member authorized to act on behalf of the Board, will be required to deliver (or cause the Collateral Manager on behalf of the Issuer to deliver) an officer's certificate to the Trustee, the Hedge Counterparty and each Rating Agency demonstrating compliance by the Issuer with its obligations under the Indenture, each applicable Coverage Test and each Collateral Quality Test and certifying the satisfaction of the Collateral Debt Security Criteria and the Eligibility Criteria with respect to each Collateral Debt Security or, if on the Ramp-Up Completion Date, the Issuer shall be in default in the performance of its obligations under the Indenture, any of the Coverage Tests or Collateral Quality Tests shall fail to be satisfied, or any of the Collateral Debt Security Criteria or Eligibility Criteria fail to be satisfied with respect to any Collateral

Debt Security, the Board or a board member authorized to act on behalf of the Board, shall deliver an officer's certificate to the Trustee, the Hedge Counterparty and each Rating Agency specifying the details of such default or failure; *provided* that the Board or authorized individual can rely on advice from the Collateral Manager as to whether the applicable Coverage Tests and Collateral Quality Tests are satisfied. In addition, the Issuer (or the Collateral Manager on behalf of the Issuer) will be required to notify each Rating Agency when a Collateral Debt Security becomes a Defaulted Security.

The Board or a board member authorized to act on behalf of the Board, will request or cause the Collateral Manager to request that each Rating Agency confirm, no later than 30 days after receiving a Ramp-Up Notice, that such Rating Agency has not reduced or withdrawn the rating (including shadow, private or confidential ratings, if any) assigned by it on the Closing Date, if any, to the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes (such confirmation, together with any confirmation deemed to have been made in accordance with the following sentence, a "Ratings Confirmation"). The Issuer will be deemed to have obtained a confirmation of the ratings assigned by a Rating Agency (other than Standard & Poor's) on the Closing Date if (i) such Rating Agency does not notify the Issuer in writing within 30 days after receipt of a Ramp-Up Notice that any such rating (including shadow, private or confidential ratings, if any) has been reduced or withdrawn and (ii) all Coverage Tests and Collateral Quality Tests are satisfied on the Ramp-Up Completion Date. In the event of a Ramp-Up Ratings Confirmation Failure, the Issuer will prepay principal of the Rated Notes as and to the extent necessary for each Rating Agency to confirm the rating assigned by it on the Closing Date, if any, to each Class of Notes. See "Description of the Rated Notes—Mandatory Redemption" and "—Priority of Payments."

To the extent required by applicable stock exchange rules, the Issuer will inform any such exchange on which any of the Notes or Combination Notes are listed if any rating assigned by Standard & Poor's or Fitch to such Notes is reduced or withdrawn.

MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS

The Stated Maturity of the Notes is August 7, 2037. The Notes will mature at their Stated Maturity unless redeemed or repaid prior thereto or, if such a day is not a Business Day, the immediately following Business Day (the "Scheduled Income Note Redemption Date"). However, the average lives of the Notes may be less than the number of years until the Stated Maturity. Based on the portfolio of Collateral Debt Securities that the Collateral Manager expects the Issuer to purchase by the Ramp-Up Completion Date, assuming (a) no Collateral Debt Securities default, (b) 2.92% of the initial aggregate Principal Balance of the Collateral Debt Securities are optionally redeemed at par over the four consecutive Distribution Dates beginning on the Distribution Date in November 2011, and thereafter, on each quarter, 0.58% of the initial aggregate Principal Balance of the Collateral Debt Securities are optionally redeemed at par, *provided* that approximately 22.16% of the initial aggregate Principal Balance of the Collateral Debt Securities are optionally redeemed at par in addition to such amount during the period beginning on the Distribution Date in May 2011 and ending on the Distribution Date in May 2017, (c) all remaining Collateral Debt Securities are sold by the Co-Issuers at par on the Distribution Date occurring on August 7, 2016 and (d) LIBOR for each future Interest Period equals the rate for such Interest Period based on the zero coupon swap curve with such rate initially to be equal to approximately 5.416%, (i) the average life of the Class A-1 Notes would be approximately 8.1 years from the Closing Date, (ii) the average life of the Class A-2 Notes would be approximately 9.9 years from the Closing Date, (iii) the average life of the Class B Notes would be approximately 9.9 years from the Closing Date, (iv) the average life of the Class C Notes would be approximately 9.9 years from the Closing Date, (v) the average life of the Class D Notes would be approximately 9.9 years from the Closing Date, (vi) the average life of the Class E Notes would be approximately 9.9 years from the Closing Date, (vii) the average life of the Class F Notes would be approximately 9.9 years from the Closing Date, (viii) the

average life of the Class G Notes would be approximately 9.9 years from the Closing Date and (ix) the average life of the Class H Notes would be approximately 9.9 years from the Closing Date. Such average lives of the Rated Notes are presented for illustrative purposes only. Although the Collateral Manager will prepare the list identifying the portfolio of Collateral Debt Securities that it expects the Issuer to purchase by the Ramp-Up Completion Date based upon its experience and expertise as a manager of securities similar to the Collateral Debt Securities and other securities, the assumed identity of the portfolio purchased by the Issuer and the other assumptions used to calculate such average lives of the Rated Notes are necessarily arbitrary, do not necessarily reflect historical experience with respect to securities similar to the Collateral Debt Securities and do not constitute a prediction with respect to the rates or timing of receipts of Interest Proceeds or Principal Proceeds, the acquisition of Collateral Debt Securities prior to the Ramp-Up Completion Date, defaults, recoveries, sales, reinvestments or redemptions to which the Collateral Debt Securities may be subject. Actual experience as to these matters will differ, and may differ materially, from that assumed in calculating the illustrative average lives set forth above, and consequently the actual average lives of the Rated Notes will differ, and may differ materially, from those set forth above. Accordingly, prospective investors should make their own determinations of the expected weighted average lives and maturity of the Rated Notes and, accordingly, their own evaluation of the merits and risks of an investment in the Offered Securities. See "Risk Factors—Projections, Forecasts and Estimates."

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

The average lives of the Rated Notes will be determined by the amount and frequency of principal payments, which are dependent upon any payments received at or in advance of the scheduled maturity of Collateral Debt Securities (whether through sale, maturity, redemption, default or other liquidation or disposition). The actual average lives of the Rated Notes will also be affected by the financial condition of the Collateral Debt Securities Issuers and the characteristics of such obligations, including the existence and frequency of exercise of any redemption features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Securities and the frequency of tender or exchange offers for such Collateral Debt Securities. Any disposition of a Collateral Debt Security may change the composition and characteristics of the Collateral Debt Securities and the rate of payment thereon, and, accordingly, may affect the actual average lives of the Rated Notes. The rate of future defaults and the amount and timing of any cash realization from Defaulted Securities also will affect the average lives of the Rated Notes. The average lives of the Rated Notes and the yield on the Income Notes will also be affected by any mandatory repayment of Notes, any Auction Call Redemption of the Notes, any Optional Redemption of the Notes or any Tax Redemption of the Notes. See "Risk Factors—Other Risk Factors—*Mandatory Repayment of the Notes*"; "*—Auction Call Redemption*"; "*—Optional Redemption*"; and "*—Tax Redemption*."

THE CO-ISSUERS

General

The Issuer was incorporated as an exempted company with limited liability on July 11, 2006 in the Cayman Islands pursuant to the Issuer Charter and is in good standing under the laws of the Cayman Islands, with the registered number 170711. The registered office of the Issuer is at the offices of Walkers SPV Limited, Walker House, P.O. Box 908 GT, George Town, Grand Cayman, Cayman Islands, British West Indies. A telephone number for the Issuer is (345) 945-3727. Since its incorporation, the Issuer has not commenced commercial operations other than those preparatory to the transactions contemplated herein and no financial statements have been prepared as of the date of this Offering Circular. The Issuer has no prior operating experience, and the Issuer will not have any substantial assets

other than the Collateral pledged to secure the Rated Notes and the Issuer's obligations to the other Secured Parties.

The entire authorized share capital of the Issuer will consist of 1,000 ordinary shares, par value U.S.$1.00 per share (some of which will be held in trust for charitable purposes by Walkers SPV Limited, a licensed trust company incorporated in the Cayman Islands (in such capacity, the "Share Trustee"), under the terms of a declaration of trust and the remainder of which will be held by an affiliate of the Collateral Manager).

Paragraph 3 of the Memorandum of Association of the Issuer sets out the objects of the Issuer, which include the business to be carried out by the Issuer in connection with the issuance of the Offered Securities. The Issuer Charter also provides that the holders of the ordinary shares in the Issuer shall pass a special resolution to cause the Issuer to be liquidated on the date that is one year and two days after the Stated Maturity of the Notes, unless earlier dissolved and terminated in accordance with the terms of the Issuer Charter.

The Co-Issuer was incorporated on July 11, 2006, under the laws of the State of Delaware with state identification number 4188341 and its registered office is at 850 Library Avenue, Suite 204, Newark, Delaware 19711, telephone: (302) 738-6680. Since its incorporation, the Co-Issuer has not commenced commercial operations other than those preparatory to the transactions contemplated herein and no financial statements have been prepared as of the date of this Offering Circular. The sole director and officer of the Co-Issuer is Donald J. Puglisi. The Co-Issuer has no prior operating experience. It will not have any assets (other than its U.S.$1,000 of share capital) and will not pledge any assets to secure the Rated Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities or other assets held by the Issuer. The Third Article of the Co-Issuer's Certificate of Incorporation sets out the objects of the Co-Issuer, which include the business to be carried out by the Co-Issuer in connection with the issuance of the Notes and the Combination Notes.

The Rated Notes other than the Class H Notes are obligations only of the Co-Issuers, the Class H Notes and the Income Notes are obligations only of the Issuer, and none of the Notes are obligations of the Trustee, the Collateral Manager, the Placement Agents, the Hedge Counterparty, any member or manager of the Issuer or any of their respective affiliates or any directors or officers of the Issuer.

Walkers SPV Limited will act as the administrator (in such capacity, the "Administrator") of the Issuer. The office of the Administrator will serve as the registered office of the Issuer. Through this office and pursuant to the terms of an agreement (entitled "administration agreement") by and between the Administrator and the Issuer (the "Administration Agreement"), the Administrator will perform various management functions on behalf of the Issuer, including communications with the general public and the provision of certain clerical, administrative and other services until termination of the Administration Agreement, including certifying that the Collateral Debt Securities meet certain criteria on or before the Ramp-Up Completion Date. In consideration of the foregoing, the Administrator will receive various fees and other charges payable by the Issuer at rates provided for in the Administration Agreement and will be reimbursed for expenses.

The Administrator will be subject to the overview of the Board of Directors of the Issuer. The directors of the Issuer are John Cullinane, Derrie Boggess and David Egglishaw, each of whom is a director or officer of the Administrator and each of whose offices are at P.O. Box 908 G.T., Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The Administration Agreement may be terminated by either the Issuer (acting upon the recommendation of the Collateral Manager) or the Administrator in accordance with the provisions of clause 7 thereof. No resignation of the Administrator will be effective until a replacement Administrator acceptable to the Issuer has been appointed.

The Administrator's registered office is at P.O. Box 908 G.T., Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

Capitalization

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

Class A-1 Notes	U.S.$338,500,000
Class A-2 Notes	U.S.$103,500,000
Class B Notes	U.S.$83,000,000
Class C Notes	U.S.$30,000,000
Class D-1 Notes	U.S.$13,000,000
Class D-2 Notes	U.S.$5,000,000
Class D-3 Notes	U.S.$29,000,000
Class E-1 Notes	U.S.$5,000,000
Class E-2 Notes	U.S.$29,000,000
Class F Notes	U.S.$7,000,000
Class G Notes	U.S.$50,000,000
Class H Notes	U.S.$27,000,000
Income Notes	U.S.$54,700,000
Total Notes	U.S.$774,700,000
Ordinary Shares	U.S.$1,000
Total Capitalization	U.S.$774,701,000

As of the Closing Date, the authorized and issued share capital of the Issuer will be 1,000 ordinary shares, par value U.S.$1.00 per share.

The Note Components of the Combination Notes are included in the amount of the Notes offered on the Closing Date and are reflected in the overall outstanding amount of the Class H Notes and Income Notes in the table above. The issuance of Combination Notes does not provide additional capital to the Issuer to purchase Collateral.

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

The Co-Issuer will be capitalized only to the extent of its U.S.$1,000 of share capital, will have no assets other than its share capital and will have no debt other than as Co-Issuer of the Rated Notes. As of the Closing Date and after giving effect to the issuance of the Co-Issuer's shares, the authorized and issued share capital of the Co-Issuer is 1,000 common shares, par value U.S.$0.01 per share.

Business

The Indenture and the Issuer Charter will provide that the activities of the Issuer are limited to (1) investing in and disposing of Collateral Debt Securities and Eligible Investments, (2) entering into and performing its obligations under the Indenture, the Collateral Management Agreement, the Hedge Agreements, the Collateral Administration Agreement and the Placement Agreement, (3) issuing and selling the Offered Securities, (4) pledging the Collateral as security for its obligations in respect of the Offered Securities (to the extent of the Class H Note Component of the Combination Notes) and otherwise for the benefit of the Secured Parties, (5) owning and managing the Co-Issuer, (6) conducting any business or activity incidental and necessary to the foregoing and paying the expenses of the Issuer incurred in the ordinary course of its business otherwise permitted under the Indenture and (7) doing or performing any action or thing which is required by or ancillary to the attainment of the objects specified in clauses (1) to (6) above, including supplementing or restructuring the transactions contemplated by the objects specified in clauses (1) to (6) above or any of the agreements, deeds or other documents entered into by the Issuer pursuant thereto, and entering into further agreements, understandings and contracts and executing certificates, affidavits, notices and any other documentation in respect of the transactions contemplated by the objects specified in clauses (1) to (6) above. Article III of the Co-Issuer's Certificate of Incorporation states that the Co-Issuer will not undertake any business other than the issuance of the Rated Notes. The Co-Issuer will not pledge any assets to secure the Rated Notes and will not have any interest in the Collateral held by the Issuer.

SECURITY FOR THE RATED NOTES

General

The Rated Notes and the Combination Notes (to the extent of the Class H Note Component) will be secured by the Trust Estate. The Trust Estate will generally consist of all money, instruments and other property and rights subject to (or intended to be subject to) the lien of the Indenture and all proceeds thereof, including the Collateral Debt Securities, the Eligible Investments, the Interest Collection Account, the Principal Collection Account, the Payment Account, the Expense Account, the Semi-Annual Interest Reserve Account and the Issuer's rights under the Hedge Agreements and certain other agreements.

"Collateral Debt Securities" consist primarily of U.S. dollar denominated (a) trust preferred securities (the "Trust Preferred Securities") issued by trust subsidiaries (each, a "Trust Preferred Securities Issuer") of real estate investment trusts, or other entities qualifying and electing to be treated as a "real estate investment trust" for U.S. federal income tax purposes (each, a "REIT"), and real estate operating companies (including trusts and other entities) that are not treated as REITs (each a "REOC" and together with REITs, the "Real Estate Entities"), (b) subordinated notes (the "Subordinated Notes") issued by Real Estate Entities (each, a "Subordinated Note Issuer") (c) senior notes (the "Senior Notes") issued by Real Estate Entities (each, a "Senior Note Issuer" and, together with the Subordinated Note Issuers, the "Note Issuers") and (d) commercial mortgage-backed securities ("CMBS") issued by CMBS issuers (each, a "CMBS Issuer"). The Trust Preferred Securities, Senior Notes, CMBS and Subordinated Notes are referred to herein collectively as the "Collateral Debt Securities"; *provided* that, in order for a security to be a Collateral Debt Security when purchased, it must satisfy the Collateral Debt Security Criteria and other Eligibility Criteria applicable to such security. The Trust Preferred Securities Issuers, CMBS Issuers, Senior Note Issuer and the Subordinated Note Issuers are referred to herein collectively as the "Collateral Debt Securities Issuers." If the junior subordinated deferrable interest debt securities issued by a Real Estate Entity (the "Corresponding Debentures") are exchanged for related Trust Preferred Securities, thereafter such Corresponding Debentures will become "Collateral Debt Securities" and the issuers thereof will become "Collateral Debt Securities Issuers."

On the Closing Date, the Issuer expects to purchase or identify for purchase U.S.$494,934,000 in aggregate Principal Balance of Collateral Debt Securities from 31 Collateral Debt Securities Issuers representing 13 Trust Preferred Securities Issuers, 1 Primary Senior Note Issuers, 15 Secondary Senior Note Issuers, 1 Subordinated Note Issuer and 1 CMBS Issuer.

The Aggregate Ramp-Up Par Amount to be achieved on or prior to the Ramp-Up Completion Date is approximately U.S.$750,000,000. No additional Collateral Debt Security may be purchased on any date after the Ramp-Up Completion Date unless the Coverage Tests will be satisfied after giving effect to such purchase. The purchase of any Collateral Debt Security is further subject to compliance with the other Eligibility Criteria. See "Security for the Rated Notes—Acquisition of Collateral Debt Securities Prior to the Ramp-Up Completion Date."

Eligibility Criteria for Collateral Debt Securities

A security will be eligible to be a Collateral Debt Security if it is (a) Trust Preferred Security issued by a Trust Preferred Securities Issuer that meets the requirements set forth in the Indenture, (b) a Senior Note issued by a Senior Note Issuer that meets the requirements set forth in the Indenture, (c) a Subordinated Note issued by a Subordinated Note Issuer that meets the requirements set forth in the Indenture, (c) CMBS issued by a CMBS Issuer that meets the requirements set forth in the Indenture, or (d) Defeased Security that, except for such defeasance, would constitute a Collateral Debt Security, in each case that, at the time of its initial purchase or acquisition, as the case may be, by the Issuer and pledge to the Trustee:

(i) provides for periodic payment of interest thereon in cash no less frequently than semi-annually (subject, in the case of one Trust Preferred Security, to deferrals thereof in accordance with clause (vii) below);

(ii) provides for a fixed amount of principal to be payable on or before the maturity thereof;

(iii) is not a Defaulted Security or a Credit Impaired Security;

(iv) is not the subject of an offer to acquire, exchange or tender;

(v) has a legal and final maturity (including as a result of any put right) that does not exceed the Stated Maturity of the Notes or, in the case of CMBS, has an expected balloon payment date occurring prior to the Stated Maturity of the Notes;

(vi) is not a debt obligation pursuant to which future advances may be required to be made to the borrower or, in the case of Trust Preferred Securities, the Corresponding Debentures is not a debt obligation pursuant to which future advances may be required to be made to the borrower;

(vii) in the case of one Trust Preferred Security, provides that distributions of interest thereon may not at any time be deferred for a period of more than four (4) consecutive quarters;

(viii) (x) in the case of a Trust Preferred Security, based on opinions of special tax counsel to the Trust Preferred Securities Issuers, for U.S. Federal income tax purposes (I) the Trust Preferred Securities are issued by a trust that is treated as a grantor trust and, accordingly, the Issuer generally will be considered the owner of a *pro rata* undivided interest in the Corresponding Debentures issued by the Trust Preferred Securities Issuer, and (II) the Corresponding Debentures will be treated as indebtedness, and (y) in the case of any other

Collateral Debt Security, any one of the following is satisfied: (I) based on opinions of special tax counsel to the Collateral Debt Securities Issuer, for U.S. Federal income tax purposes either (A) such Collateral Debt Securities are treated as indebtedness or (B) if not treated as indebtedness, (1) payments on such Collateral Debt Security will not be subject to withholding tax imposed by the United States (or, if the issuer thereof is organized in a jurisdiction outside the United States, such other jurisdiction) and (2) the Issuer's ownership of such Collateral Debt Security will not result in the Issuer being subject to income tax imposed on a net basis in the United States (or, if the issuer thereof is organized in a jurisdiction outside the United States, such other jurisdiction) or (II) the offering documents with respect to such Collateral Debt Security either (A) state that an opinion of U.S. tax counsel had been rendered when such Collateral Debt Security was issued to the effect that such Collateral Debt Security will be treated as debt for U.S. Federal income tax purposes and there has been no change in the terms of the Collateral Debt Security since its issuance, (B) in the case of CMBS, state that opinions of U.S. tax counsel had been rendered when such CMBS was issued to the effect that such CMBS is a "regular interest" in a REMIC and that the respective issuer qualifies as a REMIC; or (C) in the case of a Senior Note of a REIT, describe the tax consequences to investors as if such Senior Note were debt for U.S. Federal income tax purposes, state that payments on the Senior Note to non-U.S. holders are generally eligible for the exemption from U.S. withholding tax for "portfolio interest" provided in Section 881(b)(2) of the Code and do not require that any holder thereof treat such Senior Note other than as debt for U.S. Federal income tax purposes; *provided*, that a limited amount of Collateral Debt Securities not to exceed 20% of the aggregate Principal Balance of Collateral Debt Securities as of the Ramp-Up Completion Date may be purchased by the Issuer in the secondary market if the requirements in clauses (x) and (y) above are not satisfied but the Issuer otherwise reasonably believes (based on advice of nationally recognized tax counsel experienced in such matters) that the Corresponding Debentures, Subordinated Notes, Senior Notes or CMBS, as applicable, will be treated as debt for U.S. Federal income tax purposes;

(ix) does not have payments subject to (and payments on any related Corresponding Debentures are not subject to) foreign or United States withholding tax, unless such payments are grossed up;

(x) if such Collateral Debt Security is a U.S. security, it was issued after July 18, 1984 and is in "registered form" for U.S. federal income tax purposes;

(xi) is not by its terms exchangeable or convertible into an Equity Security;

(xii) would not cause the Issuer, the Co-Issuer or the pool of Collateral to be required to register under the Investment Company Act;

(xiii) is not Margin Stock (as defined under Regulation U issued by the Board of Governors of the Federal Reserve System);

(xiv) is not currently making payments of interest in kind;

(xv) if rated by Standard & Poor's, does not have a subscript of "p," "q," "r," "pi" or "t" associated with such rating;

(xvi) is eligible to be pledged to the Trustee;

(xvii) in the case of a Secondary Senior Note (as hereinafter defined), is rated at least "BB+" by Fitch, "Ba1" by Moody's and "BB+" by Standard & Poor's; *provided*, that if the

Secondary Senior Note is not rated by Fitch but has a public rating from Standard & Poor's or Moody's, then the Fitch rating of such Secondary Senior Note will be the Fitch equivalent of the rating assigned by Standard & Poor's or Moody's;

(xviii) in the case of CMBS, is rated at least "BBB-" by Fitch, "Baa3" by Moody's and "BBB-" by Standard & Poor's; *provided,* that if the CMBS is not rated by Fitch but has a public rating from Standard & Poor's, then the Fitch rating of such CMBS will be the Fitch equivalent of the rating assigned by Standard & Poor's; and *provided, further* that if the CMBS is not rated by Standard & Poor's but has a public rating from either Moody's or Fitch then the S&P Rating of such CMBS shall be the rating inferred using Schedule D to the Indenture;

(xix) in the case of a Trust Preferred Security, a Subordinated Note or a Primary Senior Note, has been submitted for a credit estimate from Standard & Poor's and Fitch or the issuing entity (or the direct or indirect parent of such issuing entity) of such Trust Preferred Security, Primary Senior Note or Subordinated Note has a public rating from Standard & Poor's, Moody's and Fitch (or (i) if not rated by Fitch but has a public rating from Standard & Poor's is deemed to have a Fitch rating equivalent to the rating assigned by Standard & Poor's and (ii) if not rated by Moody's, has been evaluated by Moody's for purposes of assigning a pool wide default probability) or has been submitted for a credit estimate from Standard & Poor's and Fitch;

(xx) the Board or an authorized individual of the Issuer or the Board shall have given its consent to the acquisition of such Collateral Debt Security, if such acquisition occurs after the Closing Date;

(xxi) will not constitute an interest in United States real property within the meaning of Section 897 of the Code;

(xxii) in the case of CMBS or Senior Note of a REIT, either (x) an opinion from tax counsel states that the respective issuer qualifies as a REMIC or REIT, as the case may be, for U.S. Federal income tax purposes or (y) the offering documents with respect to such CMBS or Senior Note state that an opinion of tax counsel had been rendered to the effect that such issuer qualifies as a REMIC or REIT, as applicable, for U.S. Federal income tax purposes;

(xxiii) is not a synthetic security;

(xxiv) the minimum price paid for such Collateral Debt Security is equal to or greater than 85% of the par amount thereof; and

(xxv) is denominated in U.S. Dollars.

No additional Collateral Debt Security may be purchased on any date after the Ramp-Up Completion Date. The purchase of any Collateral Debt Security is further subject to compliance with the other Eligibility Criteria. The criteria set forth above under "Eligibility Criteria for Collateral Debt Securities" are sometimes referred to herein as the "Collateral Debt Security Criteria."

The Trust Preferred Securities, Primary Senior Notes and Subordinated Notes, when initially acquired by the Issuer and pledged to the Trustee on or prior to the Ramp-Up Completion Date, must be, or have been, issued by, (A) a Collateral Debt Securities Issuer whose parent is a REIT or REOC that meets the following criteria:

(1) it has, following the issuance of its Collateral Debt Securities, total assets of at least U.S.$100 million; and

(2) the issuing entity (or the direct or indirect parent of such issuing entity) of such Collateral Debt Security has a public rating from Standard & Poor's, Moody's and Fitch (or (i) if not rated by Fitch but has a public rating from Standard & Poor's, is deemed to have a Fitch rating equivalent to the rating assigned by Standard & Poor's and (ii) if not rated by Moody's, has been evaluated by Moody's for purposes of assigning a pool wide default probability) or has been submitted for a credit estimate from Standard & Poor's and Fitch.

The above criteria and the Collateral Debt Security Criteria are herein collectively referred to as the "Eligibility Criteria." Notwithstanding the foregoing, one or more Collateral Debt Securities Issuers may not satisfy the aforementioned criteria to the extent that Standard & Poor's and Fitch confirm that any exceptions to the criteria will not adversely affect the ratings assigned to the Rated Notes on the Closing Date.

Portfolio Limitations

As of the Closing Date, it is expected that U.S.$ 320,625,000 of the Collateral Debt Securities will consist of Trust Preferred Securities, U.S.$28,125,000 of the Collateral Debt Securities will consist of Subordinated Notes, U.S.$28,125,000 of the Collateral Debt Securities will consist of Primary Senior Notes, U.S.$112,000,000 of the Collateral Debt Securities will consist of Secondary Senior Notes and U.S.$6,059,000 of the Collateral Debt Securities will consist of CMBS. Additionally, (i) at least 10% of the aggregate Principal Balance of Collateral Debt Securities will consist of Senior Notes and CMBS which will have a Moody's Rating Factor of at least 610, (ii) no more than 5% of the aggregate Principal Balance of Collateral Debt Securities will consist of CMBS (iii) no more than 15% of the aggregate Principal Balance of Collateral Debt Securities will consist of securities of issuers engaged primarily in the business of building homes and (iv) all of the Collateral Debt Securities will be denominated in U.S. Dollars. (the "Concentration Limit").

As of the Ramp-Up Completion Date, it is expected that the CMBS will represent approximately 5% of the aggregate Principal Balance of the Collateral Debt Securities and Secondary Senior Notes will represent approximately 10% of the aggregate Principal Balance of the Collateral Debt Securities.

The Collateral Debt Securities in the aggregate will comply with the following guidelines on the following dates: with respect to the date on which any additional Collateral Debt Security is purchased: (i) the purchase of such additional Collateral Debt Security must not cause the aggregate Principal Balance of Pledged Securities that evidence obligations of a single issuer to exceed 3.75% of the aggregate Principal Balance on such date or, if the aggregate Principal Balance of Pledged Securities that evidence obligations of the obligor of such additional Collateral Debt Security exceeds 3.75% of the aggregate Principal Balance prior to such purchase, such purchase must not cause such percentage to increase; (ii) no more than 5% of the aggregate Principal Balance of Collateral Debt Securities consist of CMBS; and (iii) all of the Collateral Debt Securities are denominated in U.S. Dollars.

As of the Ramp-Up Completion Date, in addition to satisfying the Collateral Quality Tests, the aggregate Principal Balance of Pledged Securities that evidence obligations of a single issuer must not exceed 3.75% of the aggregate Principal Balance on such date and, with respect to the date on which any additional Collateral Debt Security is purchased, the purchase of such additional Collateral Debt Security must not cause the aggregate Principal Balance of Pledged Securities that evidence obligations of a single issuer to exceed 3.75% of the aggregate Principal Balance on such date or, if the aggregate Principal Balance of Pledged Securities that evidence obligations of the obligor of such additional Collateral Debt Security exceeds 3.75% of the aggregate Principal Balance prior to such purchase, such purchase must not cause such percentage to increase.

Description of the Trust Preferred Securities

On the Closing Date, the Issuer expects to acquire, in the primary issuance market and in the secondary market, U.S.$320,625,000 in aggregate Principal Balance of Trust Preferred Securities consisting of 13 different issuances of securities issued by Trust Preferred Securities Issuers of 12 different Real Estate Entities. The amount of such Trust Preferred Securities (by Principal Balance) issued by any single Trust Preferred Securities Issuer ranges from U.S.$8,125,000 to U.S.$28,125,000 with a mean and median amount equal to approximately U.S.$25,500,000 and U.S.$28,125,000 respectively.

Terms of the Trust Preferred Securities

The following summary of the material terms and provisions of the Trust Preferred Securities does not purport to be complete and is subject to, and qualified in its entirety by reference to, the actual provisions of the respective Trust Agreements of the Trust Preferred Securities Issuers and such Trust Preferred Securities. Copies of the form of Trust Agreement may be obtained by any holder of a Note upon request in writing to the Trustee at its Corporate Trust Office and by prospective initial purchasers of Notes from the applicable Placement Agent.

The Trust Preferred Securities issued by each Trust Preferred Securities Issuer will be issued pursuant to the terms of an Amended and Restated Declaration of Trust (in respect of such Trust Preferred Securities Issuer, the "Trust Agreement"). Each Trust Preferred Securities Issuer will be organized as a statutory trust under the laws of the State of Delaware. The parent Real Estate Entity of each Trust Preferred Securities Issuer will own all of the beneficial interests represented by common securities of such Trust Preferred Securities Issuer (in respect of such Trust Preferred Securities Issuer, the "Common Securities", and together with the related Trust Preferred Securities, the "Trust Preferred Issuer Securities"). In some cases, the Trustee will be the sole holder of all of the Trust Preferred Securities issued under each Trust Agreement.

Each Trust Preferred Securities Issuer will use the proceeds from its sale of its Trust Preferred Issuer Securities to purchase the Corresponding Debentures issued by its parent Real Estate Entity. Each Trust Preferred Securities Issuer's only source of cash to make payments on its Trust Preferred Securities will be the payments it receives from its parent Real Estate Entity on its Corresponding Debentures.

The Trust Preferred Securities will be issued in definitive and/or global form and will be denominated in a liquidation amount that will be equal to the principal amount of the Corresponding Debentures less the liquidation amount of the Common Securities, and the liquidation amount of such Trust Preferred Securities is referred to herein as the "Principal Balance" of such Trust Preferred Securities.

Distributions

Distributions on the Trust Preferred Securities will be payable quarterly in arrears (each such date, a "Trust Preferred Securities Payment Date"). Distributions on the Trust Preferred Securities will be payable only to the extent that interest payments are made in respect of the related Corresponding Debentures and to the extent the related Trust Preferred Securities Issuer has funds legally available therefor.

Distributions payable for any Distribution Period with respect to the Trust Preferred Securities will be computed on the basis of the actual number of days in such Distribution Period and a 360-day year (or in the case of distributions calculated based on a fixed rate, on the basis of a 360-day year of twelve 30-day months). The period (i) from, and including, the date of original issuance of the Trust Preferred

Securities to, but excluding, the initial Trust Preferred Securities Payment Date and (ii) thereafter, from, and including, the first day following the end of the preceding Distribution Period to, but excluding, the Trust Preferred Securities Payment Date or, in the case of the last Distribution Period, the related Trust Preferred Securities Optional Redemption Date, Trust Preferred Securities Special Redemption Date or Trust Preferred Securities Maturity Date, as applicable, shall be a "Distribution Period."

It is anticipated that on the Closing Date, one Real Estate Entity will have the right to defer payments of interest on its Corresponding Debentures by extending the interest payment period thereunder, at any time, and from time to time, for up to four consecutive quarterly periods (each, an "Extension Period"). No Extension Period will end on a date other than a Trust Preferred Securities Payment Date of the related Trust Preferred Securities or extend beyond the Trust Preferred Securities Maturity Date, any Trust Preferred Securities Optional Redemption Date or the Trust Preferred Securities Special Redemption Date of the related Trust Preferred Securities. During any Extension Period, interest will continue to accrue at the Trust Preferred Securities Rate, and interest on such deferred accrued interest will also accrue at the Trust Preferred Securities Rate from the date such accrued interest would have been payable were it not for the Extension Period, each to the extent permitted by law ("Trust Preferred Deferred Interest"). At the end of any such Extension Period, such Real Estate Entity will be required to pay to the Trust Preferred Securities Issuer, and such Trust Preferred Securities Issuer will be required to pay to the Issuer, to the extent allocable to the Trust Preferred Securities, all interest then accrued and unpaid on the Corresponding Debentures (including Trust Preferred Deferred Interest).

During any Extension Period, the applicable Real Estate Entity may not, except in certain limited circumstances, make any payment of principal of or premium, if any, or interest on or repay, repurchase or redeem any of its debt securities that rank *pari passu* in all respects with or junior in interest to its Corresponding Debentures.

During any Extension Period, the Trust Preferred Securities Issuer holding the related Corresponding Debentures will similarly defer distributions on its Trust Preferred Securities. If distributions on any Trust Preferred Securities are deferred as a result of an Extension Period, the distributions otherwise due during such Extension Period will be paid on the date that such Extension Period terminates to the extent that the related Trust Preferred Securities Issuer has funds legally available therefor.

Redemption

Each Trust Preferred Securities Issuer will redeem its Trust Preferred Securities when the related Corresponding Debentures are paid at the maturity thereof ("Trust Preferred Securities Maturity Date").

Each Real Estate Entity may redeem its Corresponding Debentures at its option, in whole or from time to time in part, on any Trust Preferred Securities Payment Date occurring on or after the Trust Preferred Securities Payment Date occurring approximately five years after the date of issuance thereof. In addition, each Real Estate Entity may redeem its Corresponding Debentures at the Trust Preferred Securities Special Redemption Price, in whole but not in part, upon the occurrence and continuation of a Trust Preferred Securities Special Event, at any time within 90 days following the occurrence of such Trust Preferred Securities Special Event (the "Trust Preferred Securities Special Redemption Date").

In all cases, the right of a Real Estate Entity to redeem its Corresponding Debentures prior to maturity is subject to the giving of not less than 30 nor more than 60 days' prior written notice.

Upon the maturity or earlier redemption, in whole or in part, of the Corresponding Debentures of any Real Estate Entity (other than in connection with the distribution of Corresponding Debentures to holders of the related Trust Preferred Securities), the proceeds paid upon such maturity or redemption to

the related Trust Preferred Securities Issuer shall concurrently be applied to redeem, on a pro rata basis (except as otherwise specified below under "Security for the Rated Notes—Description of the Trust Preferred Securities—Terms of the Trust Preferred Securities—Subordination of Common Securities Upon Default"), at the Trust Preferred Securities Redemption Price, its Trust Preferred Securities and Common Securities having an aggregate Principal Balance equal to the aggregate principal amount of the related Corresponding Debentures repaid upon such maturity or redemption.

Trust Preferred Securities Optional Redemption Price. In the event of an optional redemption with respect to any Trust Preferred Securities on any Trust Preferred Securities Optional Redemption Date, the redemption price of the related Corresponding Debentures (the "Trust Preferred Securities Optional Redemption Price") required to be paid by the applicable Real Estate Entity to its subsidiary Trust Preferred Securities Issuer and by such Trust Preferred Securities Issuer to redeem its Trust Preferred Securities and Common Securities, on a pro rata basis (except as otherwise specified below under "Security for the Rated Notes—Description of the Trust Preferred Securities—Terms of the Trust Preferred Securities—Subordination of Common Securities Upon Default"), will be an amount in cash equal to 100% of the principal amount of such Corresponding Debentures being redeemed plus unpaid interest accrued thereon to the related Trust Preferred Securities Optional Redemption Date.

A Trust Preferred Securities Issuer may not redeem less than all of its outstanding Trust Preferred Securities unless all accrued and unpaid distributions have been paid on its Trust Preferred Securities for all Distribution Periods terminating on or prior to the related Trust Preferred Securities Optional Redemption Date.

Trust Preferred Securities Special Redemption Price. In the event of a redemption as a result of a Trust Preferred Securities Special Event, the redemption price of the related Corresponding Debentures (the "Trust Preferred Securities Special Redemption Price") required to be paid by the applicable Real Estate Entity to its subsidiary Trust Preferred Securities Issuer and by such Trust Preferred Securities Issuer to redeem its Trust Preferred Securities and Common Securities, on a pro rata basis (except as otherwise specified below under "Security for the Rated Notes—Description of the Trust Preferred Securities—Terms of the Trust Preferred Securities—Subordination of Common Securities Upon Default"), generally will be an amount in cash equal to the principal amount of such Corresponding Debentures multiplied by the "Redemption Factor" determined with reference to the date of such redemption, plus unpaid interest accrued thereon to the Trust Preferred Securities Special Redemption Date. The "Redemption Factor" for the Trust Preferred Securities will generally be 107.5%, for Trust Preferred Securities Redemption Dates occurring within five years from the date on which the Trust Preferred Securities were issued, and will be 100% thereafter.

Trust Preferred Securities Maturity Redemption Price. In the event of a mandatory redemption of Trust Preferred Securities on the Trust Preferred Securities Maturity Date, the price for the related Corresponding Debentures (the "Trust Preferred Securities Maturity Redemption Price," and together with the Trust Preferred Securities Optional Redemption Price and the Trust Preferred Securities Special Redemption Price, the "Trust Preferred Securities Redemption Price") required to be paid by the applicable Real Estate Entity to its subsidiary Trust Preferred Securities Issuer and by such Trust Preferred Securities Issuer to redeem its Trust Preferred Securities will be an amount in cash equal to 100% of the outstanding principal amount of such Corresponding Debentures plus all unpaid interest accrued thereon to the related Trust Preferred Securities Maturity Date.

Liquidation and Distribution upon Dissolution

In the event of the voluntary or involuntary liquidation, dissolution, winding-up or termination of a Trust Preferred Securities Issuer (each, a "Liquidation"), holders of the Trust Preferred Securities of such Trust Preferred Securities Issuer will be entitled to receive out of the assets of such Trust Preferred

Securities Issuer legally available for distribution to holders of such Trust Preferred Securities, after satisfaction of liabilities to creditors of such Trust Preferred Securities Issuer (to the extent not satisfied by the applicable Real Estate Entity), an amount in cash equal to the Principal Balance of such Trust Preferred Securities plus unpaid distributions accrued thereon to the date of payment (such amount being the "Liquidation Distribution"), unless (i) the related Corresponding Debentures have been redeemed in full in accordance with their terms or (ii) the related Corresponding Debentures in an aggregate principal amount equal to the aggregate Principal Balance of such Trust Preferred Securities and related Common Securities have been distributed on a pro rata basis to holders of the related Trust Preferred Securities in exchange therefor as discussed below.

Each Real Estate Entity has the right at any time to dissolve its subsidiary Trust Preferred Securities Issuer, after satisfaction of liabilities to creditors of such Trust Preferred Securities Issuer, and to cause all of the related Corresponding Debentures to be distributed to holders of the related Trust Preferred Securities on a pro rata basis in accordance with the aggregate Principal Balance thereof; *provided*, that such Real Estate Entity receives an opinion of nationally recognized tax counsel that holders of such Trust Preferred Securities will not recognize any gain or loss for U.S. federal income tax purposes as a result of the distribution of such Corresponding Debentures.

Each Trust Preferred Securities Issuer will dissolve on the first to occur of the following: (i) the expiration of the term of such Trust Preferred Securities Issuer, or thirty-five years after the date of original issuance of its Trust Preferred Securities; (ii) the bankruptcy of its parent Real Estate Entity or such Trust Preferred Securities Issuer; (iii) the filing of a certificate of dissolution of its parent Real Estate Entity or the revocation of the charter of its parent Real Estate Entity and the expiration of 90 days after such revocation without reinstatement (other than in connection with a permitted merger, consolidation or similar transaction); (iv) the distribution to holders of its Trust Preferred Securities of the related Corresponding Debentures as permitted in the preceding paragraph; (v) the entry of a decree of a judicial dissolution of such Trust Preferred Securities Issuer or its parent Real Estate Entity; or (vi) when all of its Trust Preferred Securities are then subject to redemption and the amounts necessary for redemption thereof shall have been paid to the holders in accordance with the terms of such Trust Preferred Securities. As soon as practicable after the dissolution of a Trust Preferred Securities Issuer and upon completion of the winding up of such Trust Preferred Securities Issuer, such Trust Preferred Securities Issuer shall terminate upon the filing of a certificate of cancellation with the Secretary of State of the State of Delaware.

If a Liquidation of a Trust Preferred Securities Issuer occurs as described in subclauses (i), (ii), (iii) or (v) above, such Trust Preferred Securities Issuer shall be liquidated by distributing to the holders of its Trust Preferred Issuer Securities, after satisfaction of liabilities to creditors of such Trust Preferred Securities Issuer, to the extent not satisfied by its parent Real Estate Entity, all of the related Corresponding Debentures on a pro rata basis, unless such distribution is determined by the Institutional Trustee of such Trust Preferred Securities Issuer not to be practical, in which event such holders will be entitled to receive out of the assets of such Trust Preferred Securities Issuer legally available for distribution to such holders, after satisfaction of liabilities to creditors of such Trust Preferred Securities Issuer to the extent not satisfied by its parent Real Estate Entity and except as otherwise specified below under "Security for the Rated Notes—Description of the Trust Preferred Securities—Terms of the Trust Preferred Securities—Subordination of Common Securities Upon Default," an amount in cash equal to the Liquidation Distribution. A Liquidation of the related Trust Preferred Securities Issuer pursuant to subclause (iv) above shall occur only if the Institutional Trustee of such Trust Preferred Securities Issuer determines that the distribution to the holders of its Trust Preferred Issuer Securities, after satisfaction of liabilities to creditors of such Trust Preferred Securities Issuer, of the related Corresponding Debentures is practical, and such distribution occurs. As used herein, the term "Institutional Trustee" means the financial institution acting as trustee pursuant to the Trust Agreement of each Trust Preferred Securities

Issuer. JPMorgan Chase Bank, National Association is and may continue to be the Institutional Trustee under certain such Trust Agreements.

If, upon any Liquidation, the Liquidation Distribution can be paid only in part because the related Trust Preferred Securities Issuer has insufficient assets available to pay in full the aggregate Liquidation Distribution on its Trust Preferred Issuer Securities, then amounts payable directly by such Trust Preferred Securities Issuer on such Trust Preferred Issuer Securities shall be paid to the holders of the Trust Preferred Securities and Common Securities on a pro rata basis except as otherwise specified below under "Security for the Rated Notes—Description of the Trust Preferred Securities—Terms of the Trust Preferred Securities—Subordination of Common Securities Upon Default."

Subordination of Common Securities

The rights of holders of such Common Securities to receive payment of distributions and payments upon Liquidation, redemption and otherwise are subordinated to the rights of the holders of the Trust Preferred Securities, with the result that no payment of any distribution on, or any amount payable upon the redemption of, any such Common Security, and no payment to the holder of any such Common Security on account of the Liquidation of such Trust Preferred Securities Issuer, shall be made unless payment in full in cash of (i) all accrued and unpaid distributions on such Trust Preferred Securities for all Distribution Periods terminating on or prior thereto, (ii) all amounts payable on such Trust Preferred Securities then subject to redemption and (iii) all amounts payable upon such Trust Preferred Securities in the event of the Liquidation of such Trust Preferred Securities Issuer, in each case, shall have been made or provided for, and all funds immediately available to the Institutional Trustee of such Trust Preferred Securities Issuer shall first be applied to the payment in full in cash of the amounts specified in clauses (i), (ii) and (iii) above that are then due and payable.

Mergers, Consolidations or Amalgamations

Each Trust Agreement will provide that the related Trust Preferred Securities Issuer may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other person, except as described above under "Security for the Rated Notes—Description of the Trust Preferred Securities—Terms of the Trust Preferred Securities—Liquidation and Distribution Upon Dissolution" or as described below. A Trust Preferred Securities Issuer may, with the consent of the administrators of such Trust Preferred Securities Issuer and without the consent of the Institutional Trustee, the Delaware Trustee or the holders of its Trust Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to, a trust organized as such under the laws of any state of the United States; *provided*, that (i) if such Trust Preferred Securities Issuer is not the survivor, such successor entity either (x) expressly assumes all of the obligations of such Trust Preferred Securities Issuer under its Trust Preferred Securities or (y) substitutes for its Trust Preferred Issuer Securities other securities having substantially the same terms as its Trust Preferred Issuer Securities (the "Successor Securities"), so that the Successor Securities rank the same as its Trust Preferred Issuer Securities with respect to distributions and payments upon Liquidation, redemption and otherwise, (ii) a trustee of any such successor entity possessing substantially the same powers and duties as the Institutional Trustee as holder of the related Corresponding Debentures is appointed by the related Real Estate Entity or Real Estate Entity Indenture, as applicable, (iii) its Trust Preferred Securities continue to be listed or quoted, or any Successor Securities to such Trust Preferred Securities will be listed or quoted upon notification of issuance, on any national securities exchange or with any organization on which its Trust Preferred Securities were previously listed or quoted, (iv) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause its Trust Preferred Securities or any Successor Securities to be downgraded or withdrawn by any nationally recognized statistical rating organization, if its Trust Preferred Securities or any Successor Securities are

then rated, (v) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of its Trust Preferred Securities or any Successor Securities in any material respect (other than with respect to any dilution of the holders' interest in any such successor entity), (vi) any such successor entity has a purpose substantially identical to that of such Trust Preferred Securities Issuer, (vii) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, such Trust Preferred Securities Issuer has received an opinion of a nationally recognized independent counsel experienced in such matters to the effect that (A) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of its Trust Preferred Securities or any Successor Securities in any material respect (other than with respect to any dilution of the holders' interest in any such successor entity), (B) following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, neither such Trust Preferred Securities Issuer nor any such successor entity will be required to register as an investment company under the 1940 Act and (C) following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, such Trust Preferred Securities Issuer or any such successor entity will continue to be classified as a grantor trust for United States federal income tax purposes, and (viii) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Institutional Trustee of such Trust Preferred Securities Issuer shall have received an officers' certificate of the Administrators of such Trust Preferred Securities Issuer and an opinion of counsel, each to the effect that all conditions precedent to such transaction have been satisfied.

Terms of the Corresponding Debentures

The following summary of the material terms and provisions of the Corresponding Debentures does not purport to be complete and is subject to, and qualified by reference to, the actual provisions of the respective indentures pursuant to which the Corresponding Debentures are issued (the "Real Estate Entity Indentures") and such Corresponding Debentures. Copies of the form of Real Estate Entity Indenture, as applicable may be obtained by any holder of a Note upon request in writing to the Trustee at its Corporate Trust Office and by prospective purchasers of Notes from the applicable Placement Agent.

Concurrently with the issuance of its Trust Preferred Securities, each Trust Preferred Securities Issuer will invest the proceeds thereof, together with the consideration paid by its parent Real Estate Entity for its Common Securities, in the Corresponding Debentures. The Corresponding Debentures will represent junior subordinated, unsecured debt of the related Real Estate Entities and will be issued pursuant to separate Real Estate Entity Indentures. Each Corresponding Debenture will be issued in definitive and/or global form.

Generally, the Real Estate Entity Indentures and Corresponding Debentures will not contain provisions that limit the amount of indebtedness, whether secured or unsecured, that the related Real Estate Entity, as applicable may issue or that afford the related Trust Preferred Securities Issuer, as the holder of the Corresponding Debentures, protection in the event of a highly leveraged transaction or other similar transaction involving the related Real Estate Entity, as applicable that may adversely affect it.

Subordination

Each Real Estate Entity Indenture will provide that the related Corresponding Debentures will be subordinated and junior in right of payment to the prior payment in full of all present and future Senior Indebtedness of the applicable Real Estate Entity. No payment of principal of or premium, if any, or interest or any other payment due on the related Corresponding Debentures may be made if (i) any payment due on any Senior Indebtedness of the applicable Real Estate Entity is not paid when due and any applicable grace period with respect to a payment default under such Senior Indebtedness has ended and such default has not been cured or waived or ceased to exist or (ii) the maturity of any Senior

Indebtedness of such Real Estate Entity has been accelerated because of a default and such acceleration has not been rescinded or cancelled and such Senior Indebtedness had not been paid in full. In addition, Real Estate Entities may be parties to agreements with holders of Senior Indebtedness that have the practical effect of further subordinating the rights of holders of the related Corresponding Debentures to such holders of Senior Indebtedness under certain circumstances.

As used herein, "Senior Indebtedness" means:

(x) with respect to any Real Estate Entity, (i) the principal, premium, if any, and interest in respect of (a) indebtedness of such Real Estate Entity for money borrowed and (b) indebtedness evidenced by securities, debentures, notes, bonds or other similar instruments issued by such Real Estate Entity; (ii) all capital lease obligations of such Real Estate Entity; (iii) all obligations of such Real Estate Entity issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Real Estate Entity and all obligations of such Real Estate Entity under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business); (iv) all obligations of such Real Estate Entity for the reimbursement of any letter of credit, any banker's acceptance, any security purchase facility, any repurchase agreement or similar arrangement, any interest rate swap, any other hedging arrangement, any obligation under options or any similar credit or other transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons for the payment of which such Real Estate Entity is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of such Real Estate Entity (whether or not such obligation is assumed by such Real Estate Entity), whether incurred on or prior to the date of the related Real Estate Entity Indenture or thereafter incurred, unless it is provided in the instrument creating or evidencing the same or pursuant to which the same is outstanding that such obligations are not superior or are *pari passu* in right of payment to the Corresponding Debentures of such Real Estate Entity; *provided* that, notwithstanding the foregoing, "Senior Indebtedness" shall not include (1) any additional Junior Indebtedness, (2) Corresponding Debentures issued pursuant to the related Real Estate Entity Indentures and guarantees in respect of such Corresponding Debentures or (3) trade accounts payable of the Real Estate Entity arising in the ordinary course of business (such trade accounts payable being *pari passu* in right of payment to the Corresponding Debentures). Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the subordination provisions irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness; and

(y) with respect to any Subordinated Note Issuer, the principal of and any premium on the following, whether outstanding on the date of execution of the Subordinated Note Indenture or thereafter created, assumed or incurred: (a) any obligation of, or any obligation guaranteed by, such Subordinated Note Issuer for the repayment of borrowed money, whether or not evidenced by bonds, debentures, notes or other written instruments, and similar obligations arising from off-balance sheet guarantees and direct credit substitutes, (b) obligations under bankers' acceptances and letters of credit, (c) obligations associated with derivative products such as interest rate and foreign exchange rate contracts, commodity and currency contracts and similar arrangements, (d) any deferred obligations of, or any such obligation guarantees by, such Subordinated Note Issuer for the payment of the purchase price of property or assets, (e) obligations of such Subordinated Note Issuer as lessee under any lease of real or personal property required to be capitalized under generally accepted accounting principles at the time, and (f) any amendments, deferrals, renewals, extensions or refundings of any such indebtedness or obligations referred to in clauses (a) or (b) through (e) above, *provided*, that Senior Indebtedness will not include (i) obligations, renewals, extensions or refundings referred to in clause (a) or (c) through (f) that specifically by their terms rank junior to, or equally with, the Subordinated Notes of the related Subordinated Note Issuer in right of payment in the event of certain events of bankruptcy, insolvency receivership or reorganization of such Subordinated Note Issuer and (ii) the Subordinated Notes of the related Subordinated Note Issuer.

As used herein, "additional Junior Indebtedness" means, with respect to a Real Estate Entity, without duplication and other than the related Corresponding Debentures, any indebtedness, liabilities or obligations of the Real Estate Entity, or any Subsidiary (as defined in the related Real Estate Entity Indenture, as applicable) of the Real Estate Entity, under debt securities (or guarantees in respect of debt securities) initially issued after the date of the related Real Estate Entity Indenture, as applicable to any trust, or a trustee of a trust, partnership or other entity affiliated with the Real Estate Entity that is, directly or indirectly, a finance subsidiary (as such term is defined in Rule 3a-5 under the Investment Company Act of 1940) or other financing vehicle of the Real Estate Entity, or any Subsidiary (as defined in the related Real Estate Entity Indenture, as applicable) of the Real Estate Entity in connection with the issuance by that entity of preferred securities or other securities that are issued on a *pari passu* basis with the related Corresponding Debentures (or, in the case of a few Real Estate Entities, either junior and subordinate to or on a *pari passu* basis with the related Corresponding Debentures).

Upon any distribution of assets of the applicable Real Estate Entity to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all amounts due on all Senior Indebtedness of such Real Estate Entity must be paid in full before the holders of the related Corresponding Debentures are entitled to receive or retain any payment. Upon payment in full of all such Senior Indebtedness then outstanding, the rights of the holders of such Corresponding Debentures will be subrogated to the rights of the holders of Senior Indebtedness of such Real Estate Entity to receive payments or distributions applicable to such Senior Indebtedness until all amounts due on such Corresponding Debentures are paid in full. There is no limit to the aggregate amount of Senior Indebtedness that may be issued by any Real Estate Entity.

Under each Real Estate Entity Indenture, the Indenture Trustee is authorized to act on behalf of each holder of Corresponding Debentures to take such action as may be necessary or appropriate to effectuate, as between such holders and holders of Senior Indebtedness, the subordination provisions contained in such Real Estate Entity Indenture.

The right of a Real Estate Entity to participate in any distribution of assets of any of its subsidiaries upon any such subsidiary's liquidation or reorganization or otherwise is subject to the claims of creditors, except to the extent that such Real Estate Entity may itself be recognized as a creditor of such subsidiary. Accordingly, each Real Estate Entity's obligations under its Corresponding Debentures will be effectively subordinated to all existing and future liabilities of its subsidiaries, and claimants may look only to the assets of such Real Estate Entity for payments.

Maturity; Redemption

All of the Corresponding Debentures are redeemable prior to maturity as described under "Security for the Rated Notes—Description of the Trust Preferred Securities—Terms of the Trust Preferred Securities—Redemption."

Interest

Each Corresponding Debenture will bear interest at the corresponding Trust Preferred Securities interest rate. The amount of interest payable with respect to any Corresponding Debentures supporting Floating Rate Trust Preferred Securities for any period commencing prior to the applicable fixed rate expiration date will be computed on the basis of a 360-day year consisting of the actual number of days in such period (or, when bearing interest at a fixed rate, on the basis of a 360-day year of twelve 30-day months). The amount of interest payable with respect to any Corresponding Debentures supporting (i) Floating Rate Trust Preferred Securities and (ii) fixed/floating rate Trust Preferred Securities for any period commencing on or after the applicable fixed rate expiration date will be computed on the basis of a

360-day year and the actual number of days in such period. See "Security for the Rated Notes—Description of the Trust Preferred Securities—Terms of the Trust Preferred Securities—Distributions."

Option to Extend Interest Payment Period

It is anticipated that on the Closing Date, one Real Estate Entity will have the right to defer payments of interest on its Corresponding Debentures as described in "Security for the Rated Notes—Description of the Trust Preferred Securities—Terms of the Trust Preferred Securities—Distributions."

Additional Amounts

If at any time as a result of a Trust Preferred Securities Tax Event a Trust Preferred Securities Issuer is required to pay, or withhold from payments to holders of related Trust Preferred Issuer Securities, additional taxes (including withholding taxes), duties, assessments or other governmental charges, then, in any such case, its parent Real Estate Entity will pay such additional amounts ("Additional Amounts") on the related Corresponding Debentures or Trust Preferred Issuer Securities, as the case may be, as shall be required so that the net amounts received and retained by the holders thereof, after payment of all such taxes (including withholding taxes), duties, assessments or other governmental charges, will equal the amounts such holders would have received and retained had no such taxes, duties, assessments or other governmental charges been imposed.

Certain Covenants

If (i) there has occurred and is continuing an event of default (or, pursuant to certain Underlying Instruments, the occurrence and continuance of a payment default only) under a Real Estate Entity Indenture, or (ii) a Real Estate Entity has given notice of its election to defer payments of interest on its Corresponding Debentures by extending the interest payment period as provided in a Real Estate Entity Indenture relating to such Corresponding Debentures, or any such Extension Period is continuing, then, except in limited circumstances, (a) such Real Estate Entity may not declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock and (b) such Real Estate Entity may not make any payment of principal of or premium, if any, or interest on or repay, repurchase or redeem any of its debt securities that rank in all respects *pari passu* with or junior in interest to such Corresponding Debentures.

The parent Real Estate Entity of each Trust Preferred Securities Issuer will, for so long as any Trust Preferred Issuer Securities remain outstanding, maintain 100% ownership of the Common Securities of such Trust Preferred Securities Issuer; *provided*, that any permitted successor of a Real Estate Entity may succeed to such Real Estate Entity's ownership of such Common Securities.

Limitation on Consolidations, Mergers and Sales of Assets

No Real Estate Entity may consolidate or merge with or into another entity (whether or not affiliated with such Real Estate Entity), or sell, convey, transfer or otherwise dispose of all or substantially all of its property to another entity (whether or not affiliated with such Real Estate Entity) authorized to acquire and operate the same unless (i) upon any such consolidation, merger (where such Real Estate Entity is not the surviving entity), sale, conveyance, transfer or other disposition, the successor entity is organized and existing under the laws of the United States or any state thereof or the District of Columbia (unless such entity has (1) agreed to make all payments due in respect of its Corresponding Debentures or, if outstanding, the related Trust Preferred Securities without withholding or deduction for, or on account of, any taxes, duties, assessments or other governmental charges under the laws or regulations of the jurisdiction of organization or residence (for tax purposes) of such entity or any political subdivision or taxing authority thereof or therein unless required by applicable law, in which

case such entity shall have agreed to pay such additional amounts as shall be required so that the net amounts received and retained by the holders of such Corresponding Debentures or Trust Preferred Securities, as the case may be, after payment of all taxes (including withholding taxes), duties, assessments or other governmental charges, will be equal to the amounts that such holders would have received and retained had no such taxes (including withholding taxes), duties, assessments or other governmental charges have been imposed, (2) irrevocably and unconditionally consented and submitted to the jurisdiction of any United States federal court or New York state court, in each case located in the Borough of Manhattan, The City of New York, in respect of any action, suit or proceeding against it arising out of or in connection with the Real Estate Entity Indenture, as applicable or Corresponding Debentures and irrevocably and unconditionally waived, to the fullest extent permitted by law, any objection to the laying of venue in any such court or that any such action, suit or proceeding has been brought in an inconvenient forum and (3) irrevocably appointed an agent in The City of New York for service of process in any action, suit or proceeding referred to in clause (2) above), (ii) any such successor entity expressly assumes all obligations of such Real Estate Entity under its Corresponding Debentures, the related Real Estate Entity Indenture, as applicable, and the related Trust Agreement and (iii) after giving effect to any such transaction, no default or event of default under such Real Estate Entity Indenture shall have occurred and be continuing.

Events of Default, Waiver and Notice

The Real Estate Entity Indentures provide that any event described below which has occurred and is continuing with respect to the Corresponding Debentures issued under the related Real Estate Entity Indenture constitutes an "event of default" with respect to such Corresponding Debentures:

(i) default for 30 days in the payment of any interest on such Corresponding Debentures when due (it being understood that commencement and continuation of an Extension Period in accordance with the terms of such Corresponding Debentures shall not constitute a default under this clause);

(ii) default in the payment of all or any part of the principal of or premium, if any, on such Corresponding Debentures when due, whether at maturity, upon redemption, by acceleration of maturity or otherwise;

(iii) in the case of one Trust Preferred Security, default in the payment of any interest upon any Corresponding Debenture when it becomes due, in the case of one Real Estate Entity, following the non-payment of interest for four (4) or more consecutive quarterly periods;

(iv) default by the applicable Real Estate Entity in the performance of, or breach of, certain of its covenants or agreements in such Real Estate Entity Indenture which shall not have been remedied for a period of 90 days after written notice to such Real Estate Entity by the Debenture Trustee or to such Real Estate Entity and the Debenture Trustee by the holders of not less than 25% in aggregate principal amount of such Corresponding Debentures then outstanding;

(v) certain events of bankruptcy, insolvency or reorganization of the applicable Real Estate Entity; or

(vi) the Liquidation of the applicable Real Estate Entity's subsidiary Trust Preferred Securities Issuer, except in connection with the distribution of the Corresponding Debentures of such Real Estate Entity to the holders of the related Trust Preferred Issuer Securities in Liquidation of the Trust Preferred Securities Issuer, the redemption of all of such Trust Preferred Issuer Securities, or mergers, consolidations or amalgamations, each as permitted by the Trust Agreement.

If an event of default referenced in clause (i), (ii) or (iii) above shall have occurred and be continuing, either the Debenture Trustee or the holders of not less than 25% in aggregate principal amount of the related Corresponding Debentures then outstanding may declare the principal of and premium, if any, and accrued interest on all such Corresponding Debentures to be due and payable immediately. If an event of default referenced in clause (v) or (vi) above shall have occurred, the principal of and premium, if any, and accrued interest on all related Corresponding Debentures will automatically become immediately due and payable without further action. Upon certain conditions any such acceleration may be annulled and past defaults may be waived (except defaults in payments of principal of or premium, if any, or interest on such Corresponding Debentures, which must be cured or paid in full) by the holders of a majority in aggregate principal amount of such Corresponding Debentures then outstanding.

The right of the holder of any Corresponding Debenture to receive payment of the principal of and premium, if any, and interest on such Corresponding Debenture when due, or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such holder.

An event of default under a Real Estate Entity Indenture also constitutes an event of default under the related Trust Agreement (a "Trust Agreement Event of Default"). Upon the occurrence of one or more of the Trust Agreement Events of Default set forth in the foregoing clauses (i), (ii), (iii), (v) or (vi), the Institutional Trustee, so long as it is the sole holder of the related Corresponding Debentures, will have the right to declare the principal of and premium, if any, and accrued interest on the Corresponding Debentures to be immediately due and payable. A waiver of any event of default under a Real Estate Entity Indenture will constitute a waiver of the related Trust Agreement Event of Default.

Because the Issuer may own less than 100% of the Principal Balance of the Trust Preferred Securities issued by the subsidiary Trust Preferred Securities Issuer of a Real Estate Entity, the Issuer may not be able to control any matters in respect of such Trust Preferred Securities as to which holders thereof are entitled to vote, give their consent or take action.

Effect of Obligations Under the Trust Preferred Securities and the Corresponding Debentures

As long as interest and other payments are made when due on the Corresponding Debentures of a Real Estate Entity, such payments will be sufficient to cover distributions and other payments due on the related Trust Preferred Securities because of the following factors: (i) the aggregate principal amount of such Corresponding Debentures will be equal to the aggregate Principal Balance of the related Trust Preferred Securities; (ii) the interest rate (or manner of calculating such rate) and the payment dates on such Corresponding Debentures will correspond to the distribution rate (or manner of calculating such rate) and payment dates for the related Trust Preferred Securities; and (iii) such Real Estate Entity will be obligated to pay all, and its subsidiary Trust Preferred Securities Issuer will not be obligated to pay directly or indirectly any, costs, expenses, debts, and other obligations of such Trust Preferred Securities Issuer (other than payments due on its Trust Preferred Issuer Securities).

If a Real Estate Entity fails to make interest or other payments on the related Corresponding Debentures when due (after giving effect to any grace period or Extension Period) or another event of default under the related Real Estate Entity Indenture has occurred and is continuing, the related Trust Agreement provides a mechanism whereby the holder of the Trust Preferred Securities (which will be the Trustee) may direct the Institutional Trustee, to the fullest extent permitted by law, to enforce its rights under the related Corresponding Debentures. If the Institutional Trustee fails to enforce its rights under the related Corresponding Debentures after a majority in Principal Balance of the related Trust Preferred Securities have so directed, the Trustee, as holder of the Trust Preferred Securities, or any other holder of the Trust Preferred Securities, may to the fullest extent permitted by law institute a legal proceeding against such Real Estate Entity to enforce the Institutional Trustee's rights under such Corresponding

Debentures without first instituting any legal proceedings against the Institutional Trustee or any other person or entity. Notwithstanding the foregoing, if a Trust Agreement Event of Default has occurred and is continuing and such event is attributable to the failure of a Real Estate Entity to pay principal of or premium, if any, or interest on the related Corresponding Debentures on the respective dates such principal, premium or interest is payable (or, in the case of redemption, on the Trust Preferred Securities Optional Redemption Date or Trust Preferred Securities Special Redemption Date), then a holder of the related Trust Preferred Securities may institute a direct cause of action against such Real Estate Entity for payment on or after the respective due dates specified in such Corresponding Debentures (or, in the case of redemption, on the Trust Preferred Securities Optional Redemption Date or Trust Preferred Securities Special Redemption Date). The provisions described above are intended to enable the Trustee to effectively enforce the rights of the holders of the Rated Notes if a default occurs on any Trust Preferred Securities or related Corresponding Debentures. The Indenture will provide that if such a default occurs, the Trustee will attempt to maximize the recovery value to the holders of the Rated Notes by engaging in restructuring efforts, bringing enforcement proceedings and/or taking any other measures that the Trustee may deem appropriate. Because of the illiquid nature of the Trust Preferred Securities, it is unlikely that the Trustee would be able to sell the defaulted Trust Preferred Securities, or upon a Liquidation, the Corresponding Debentures, on economically acceptable terms. In certain cases, the Trustee will be the holder of all of the Trust Preferred Securities issued by each Trust Preferred Securities Issuer. Therefore, it will also be responsible for approving or disapproving any waiver or amendment of the terms of those Trust Preferred Securities that may be requested by a Trust Preferred Securities Issuer, and the terms of those Trust Preferred Securities will require the Trustee's consent to any waiver or material amendment to the Corresponding Debentures. See also "Risk Factors—Nature of the Collateral—Trust Preferred Securities—Trust Preferred Securities—Limited Voting Rights." In determining any action to be taken with respect to a defaulted Trust Preferred Securities or any response to a waiver or amendment request concerning any Trust Preferred Securities or Corresponding Debenture, the Trustee may retain advisors selected by it (including legal advisors and investment banking or asset management firms), whose fees will constitute Administrative Expenses payable from Collections and the Trustee will be fully protected with respect to any action taken by it in reasonable good faith reliance on advice provided by such advisors.

Description of Subordinated Notes

The following summary of the material terms and provisions of the Subordinated Notes does not purport to be complete and is subject to, and qualified in its entirety by reference to, the actual provisions of the respective Subordinated Note Indentures of the Subordinated Note Issuers and such Subordinated Notes. Copies of the form of Subordinated Note Indenture may be obtained by any holder of a Note upon request in writing to the Trustee at its Corporate Trust Office and by prospective initial purchasers of Notes from the applicable Placement Agent.

Each Subordinated Note will represent subordinated, unsecured debt of the related Subordinated Note Issuer and will be issued pursuant to a separate Subordinated Note Indenture (each, a "Subordinated Note Indenture"). As used herein, "Subordinated Note Trustee" means the financial institution acting as trustee under a Subordinated Note Indenture. JPMorgan Chase Bank, National Association is and may continue to be the Subordinated Note Trustee under certain Subordinated Note Indentures.

The Subordinated Notes will be issued in definitive and/or global form, and the principal amount of such Subordinated Notes is referred to herein as the "Principal Balance" of such Subordinated Notes.

The Subordinated Notes are solely the obligation of the respective Subordinated Note Issuers and are neither obligations of, nor guaranteed by, any other entity.

The Subordinated Note Indentures will not contain provisions that limit the amount of indebtedness, whether secured or unsecured, that the related Subordinated Note Issuer may issue or that afford the Trustee, as the holder of the Subordinated Notes, protection in the event of highly leveraged transactions or other similar transactions involving the related Subordinated Note Issuer that may adversely affect it.

Interest

Interest on the Subordinated Notes will be payable quarterly in arrears (each such payment date, a "Subordinated Note Interest Payment Date"), at floating rates per annum, reset quarterly, equal to LIBOR plus a spread (the "Applicable Subordinated Note Interest Rate"). The Applicable Subordinated Note Interest Rate may not exceed the maximum rate of interest then permitted under New York law, as modified by U.S. law.

The amount of interest payable for any Subordinated Note Interest Period will be computed on the basis of the actual number of days in such Subordinated Note Interest Period and a 360-day year (or, when bearing interest at a fixed rate, on the basis of a 360-day year of twelve 30-day months). The period (i) from, and including, the date of original issuance of the Subordinated Notes to, but excluding, the initial Subordinated Note Interest Payment Date and (ii) thereafter, from, and including, the first day following the end of the preceding Subordinated Note Interest Period to, but excluding, the applicable Subordinated Note Interest Payment Date or, in the case of the last Subordinated Note Interest Period, the related Subordinated Note Special Redemption Date or Subordinated Note Maturity Date, as applicable, shall be a "Subordinated Note Interest Period."

Maturity; Redemption

Each Subordinated Note Issuer is obligated to repay its Subordinated Notes at maturity (the "Subordinated Note Maturity Date"). Each Subordinated Note Issuer may also redeem its Subordinated Notes at the applicable Subordinated Note Special Redemption Price, in whole but not in part, upon the occurrence and continuation of a Subordinated Note Special Event, at any time within 90 days following the occurrence of such Subordinated Note Special Event (the "Subordinated Note Special Redemption Date").

"Subordinated Note Special Event" means, with respect to any Subordinated Notes, the receipt by the applicable Subordinated Note Issuer of an opinion of counsel experienced in such matters to the effect that, as a result of any amendment to or change (including any announced prospective change) in the laws or any regulations thereunder of the United States or any political subdivision or taxing authority thereof or therein, or any change in the application or official interpretation of such laws, regulations or rulings, which amendment or change becomes effective on or after the date of original issuance of such Subordinated Notes, there is more than an insubstantial risk that the Subordinated Note Issuer has or will become obligated to pay Additional Sums.

"Additional Sums" means, subject to certain exceptions and limitations, such amounts as may be necessary so that every net payment received by a holder of Subordinated Notes that is a U.S. alien for U.S. federal income tax purposes, after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge imposed upon or as a result of such payment by the United States (or any political subdivision or taxing authority thereof or therein), will not be less than the amount such holder would have received in respect of such Subordinated Notes had no such deduction or withholding been imposed.

Subordinated Note Special Redemption Price. In the event of a redemption as a result of a Subordinated Note Special Event, the redemption price of the related Subordinated Notes (the

"Subordinated Note Special Redemption Price") generally will be an amount in cash equal to the principal amount of such Subordinated Notes, in certain cases multiplied by a "Redemption Factor" determined with reference to the date of such redemption, plus unpaid interest accrued thereon to the date of redemption.

Subordinated Note Maturity Price. Subordinated Notes will mature and become due and payable at a price (the "Subordinated Note Maturity Price") in cash equal to 100% of the outstanding principal amount of such Subordinated Notes plus all unpaid interest accrued thereon to the Subordinated Note Maturity Date.

Subordination

Each Subordinated Note Indenture will provide that the Subordinated Notes will be subordinate and junior in right of payment to the prior payment in full of all present and future Senior Indebtedness of the applicable Subordinated Note Issuer. No payment of principal of or premium, if any, or interest or any other payment due on the related Subordinated Notes and no redemption, exchange, retirement, purchase or other acquisition of any Subordinated Notes may be made if (i) any payment due on any Senior Indebtedness of the applicable Subordinated Note Issuer is not paid when due and any applicable grace period with respect to a payment default under such Senior Indebtedness has ended and such default has not been cured or waived or ceased to exist or (ii) the maturity of any Senior Indebtedness of such Subordinated Note Issuer has been accelerated because of a default and such acceleration has not been rescinded or cancelled and such Senior Indebtedness has not been paid in full. In addition, Subordinated Note Issuers may be parties to agreements with holders of their Senior Indebtedness that have the practical effect of further subordinating the rights of holders of the related Subordinated Notes to such holders of Senior Indebtedness under certain circumstances.

Upon any distribution of assets of the applicable Subordinated Note Issuer to creditors upon any rehabilitation, liquidation, conservation or dissolution, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all amounts due on all Senior Indebtedness of such Subordinated Note Issuer must be paid in full before the holders of the related Subordinated Notes are entitled to receive or retain any payment. Upon payment in full or satisfaction of all Senior Indebtedness of such Subordinated Note Issuer then outstanding, the rights of the holders of such Subordinated Notes will be subrogated to the rights of the persons to whom such Subordinated Note Issuer is obligated under such Senior Indebtedness to receive payments or distributions applicable to such Senior Indebtedness until all amounts owing on such Subordinated Notes are paid in full. There is no limit to the aggregate amount of Senior Indebtedness that may be issued by any Subordinated Note Issuer.

Under the terms of each Subordinated Note Indenture, the Issuer will be deemed to have waived any right of set-off or counterclaim that it might otherwise have.

Under each Subordinated Note Indenture, the Subordinated Note Trustee is authorized to act on behalf of each holder of Subordinated Notes to take such action as may be necessary or appropriate to effectuate, as between such holders and holders of Senior Indebtedness, the subordination provisions contained in such Subordinated Note Indenture.

Any right of a Subordinated Note Issuer to receive assets of any of its subsidiaries upon its liquidation or reorganization (and the right of the holder(s) of its Subordinated Notes to participate in those assets) will be effectively subordinated to the claims of that subsidiary's creditors (including trade creditors), except to the extent that such Subordinated Note Issuer is itself recognized as a creditor of such subsidiary, in which case the claims of such Subordinated Note Issuer would be subordinate to any security interests in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by such Subordinated Note Issuer.

Certain Covenants

The Subordinated Note Issuer will treat the Subordinated Notes as indebtedness, and the interest payable in respect of such Subordinated Notes (including any Additional Amount as defined in the Subordinated Note Indenture) as interest, for all U.S. federal income tax purposes. All payments in respect of such Subordinated Notes will be made free and clear of U.S. withholding tax to any beneficial owner thereof that has provided an Internal Revenue Service Form W-8BEN (or any substitute or successor form) establishing its non-U.S. status for U.S. federal income tax purposes.

Limitation on Consolidation, Mergers and Sales of Assets

A Subordinated Note Issuer may not merge or consolidate with or into any other entity or sell, convey, transfer or otherwise dispose of all or substantially all of its property to any entity authorized to acquire and operate the same, unless, upon such merger (where such Subordinated Note Issuer is not the surviving entity), consolidation, sale, conveyance, thereafter or other disposition, (i) the successor entity is organized and existing under the laws of the United States or any state thereof (unless such entity has (1) irrevocably and unconditionally consented and submitted to the jurisdiction of any United States federal court or New York state court, in each case located in the Borough of Manhattan, the City of New York, in respect of any action, suit or proceeding against it arising out of or in connection with the Subordinated Note Indenture or corresponding Subordinated Notes and irrevocably and unconditionally waived, to the fullest extent permitted by law, any objection to the laying of venue in any such court or that such action, suit or proceeding has been brought in an inconvenient forum and (2) irrevocably appointed an agent in the City of New York for service of process in any action, suit or proceeding referred to in clause (1) above) and such entity expressly assumes all obligations of such Subordinated Note Issuer under its Subordinated Notes and related Subordinated Note Indenture and (ii) after giving effect to such transaction, no default or event of default under such Subordinated Note Indenture shall have occurred and be continuing.

Events of Default, Waiver of Notice

Each Subordinated Note Indenture provides that certain events of bankruptcy, insolvency receivership or reorganization of the Subordinated Note Issuer constitute "events of default." If an "event of default" occurs and is continuing with respect to Subordinated Notes, either the Subordinated Note Trustee or the holders of not less than 25% in aggregate principal amount of the Subordinated Notes then outstanding may declare the principal of and accrued but unpaid interest on all such Subordinated Notes to be due and payable immediately. Upon any such declaration, such principal amount and interest shall become immediately due and payable. Upon payment of such amounts, all obligations of the Subordinated Note Issuer in respect of the payment of principal of and interest on such Subordinated Notes shall terminate.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Subordinated Note Trustee as provided by the Subordinated Note Indenture, the holders of a majority in aggregate principal amount of the Subordinated Notes then outstanding, by written notice to the Subordinated Note Issuer and the Subordinated Note Trustee, may rescind and annul such declaration and its consequences under certain conditions specified in the Subordinated Note Indenture.

In addition, each Subordinated Note Indenture provides that the occurrence and continuation of any of the following constitutes a "default": (a) an "event of default" as described above; (b) the Subordinated Note Issuer fails to pay the principal of any Subordinated Note on the date such amount becomes due and payable, whether at maturity or by declaration of acceleration or otherwise, and such

failure is continued for seven days; or (c) the Subordinated Note Issuer fails to pay any installment of interest when due and such failure is continued for 30 days.

Upon the occurrence of a "default" under the Subordinated Note Indenture, the Subordinated Note Trustee may demand for the benefit of the holders of the Subordinated Notes, the entire amount then due and payable on the Subordinated Notes (x) in the case of a "default" specified in clause (a) or (b) above, for the principal and interest, if any, and interest upon the overdue principal and, to the extent that payment of such interest shall be legally enforceable, upon overdue installments of interest, at the Applicable Subordinated Note Interest Rate, and (y) in the case of a "default" specified in clause (c) above, for the interest and, to the extent that payment of such interest shall be legally enforceable, upon overdue installments of interest, at the Applicable Subordinated Note Interest Rate and, in each case, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If a "default" occurs and is continuing, the Subordinated Note Trustee may in its discretion proceed to protect and enforce its rights and the rights of the holders of the Subordinated Notes by such appropriate judicial proceedings as the Subordinated Note Trustee shall deem most effectual to protect and enforce any such rights.

Under the terms of each Subordinated Note Indenture, no holder of the Subordinated Notes may institute any proceeding, judicial or otherwise, with respect to the Subordinated Note Indenture, or for any remedy thereunder, unless: (i) such holder has previously given written notice to the Subordinated Note Trustee of a continuing "default"; (ii) the holders of not less than 25% in aggregate principal amount of such Subordinated Notes then outstanding have made written request to the Subordinated Note Trustee to institute proceedings in respect of such default and have offered to indemnify the Subordinated Note Trustee against the costs, expenses and liabilities to be incurred in such proceedings; and (iii) the Trustee has not instituted such proceedings within 60 days of such notice, request and offer of indemnity. No holder of Subordinated Notes has any right in any manner whatsoever by virtue of, or by availing of, any provision of the Subordinated Note Indenture to affect, disturb or prejudice the rights of any other holders of Subordinated Notes or to enforce any right under the Subordinated Note Indenture, except in the manner therein provided and for the equal and ratable benefit of all holders of the Subordinated Notes.

The holders of a majority in aggregate principal amount of the Subordinated Notes then outstanding has the right to direct the time, method and place of conducting any proceeding for any remedy available to the Subordinated Note Trustee or exercising any trust or power conferred on the Subordinated Note Trustee with respect to the Subordinated Notes; *provided*, that (i) such direction does not conflict with any rule of law or with the Subordinated Note Indenture; (ii) subject to the provisions of the Subordinated Note Indenture, the Subordinated Note Trustee has the right to decline to follow any such direction if the Subordinated Note Trustee, in good faith, being advised by counsel, determines that the proceeding so directed might result in personal liability or would be unjustly prejudicial to the holders of Subordinated Notes not joining in any such direction; and (iii) the Subordinated Note Trustee may take any other action deemed proper by the Subordinated Note Trustee that is not inconsistent with such direction.

Description of Senior Notes

Senior Notes included in the portfolio of Collateral Debt Securities include Senior Notes purchased under warehousing arrangements and/or by the Issuer in secondary market transactions from sellers who are not the issuers of such securities, including underwriters of public offerings of such securities ("Secondary Senior Notes") and will also include Senior Notes purchased under warehousing arrangements and/or by the Issuer in primary market transactions from the issuers of such securities

("Primary Senior Notes"). Any Senior Note that is included in the portfolio of Collateral Debt Securities will have been issued pursuant to a participation agreement, a trust agreement, an indenture or similar agreement having terms customary for comparable instruments (as determined by the Collateral Manager in good faith), including financial and other covenants intended to confer and preserve the senior status of such Senior Note relative to other obligations that the related Senior Note Issuer may have outstanding or may thereafter issue.

Enhancement in the form of reserve funds, subordination or other forms of credit support may be provided with respect to the Senior Notes. The type, characteristics and amount of such credit support, if any, will be a function of certain characteristics and generally will have been established for the Senior Notes on the basis of requirements of either any rating agency that may have assigned a rating to the Senior Notes or the initial purchasers of the Senior Notes.

Description of CMBS

The CMBS included in the portfolio of Collateral Debt Securities will be purchased by the Issuer in secondary market transactions from the sellers thereof, which will not be the issuers of such securities. Any CMBS that is included in the portfolio of Collateral Debt Securities will have been issued pursuant to a pooling and servicing agreement, a participation agreement, a trust agreement, an indenture or similar agreement (a "CMBS Agreement"). The CMBS Issuer and/or servicer of the underlying mortgage loans (or underlying CMBS) will have entered into the CMBS Agreement with a trustee or a custodian under the CMBS Agreement, if any, or with the original purchaser of the interest in the underlying mortgage loans or CMBS evidenced by the CMBS. A CMBS Issuer is an entity (usually a trust) that qualifies to elect for federal income tax purposes to be treated as a REMIC.

Enhancement in the form of reserve funds, subordination or other forms of credit support may be provided with respect to the CMBS. The type, characteristics and amount of such credit support, if any, will be a function of certain characteristics of the underlying mortgage loans or underlying CMBS evidenced by or securing such CMBS and other factors and generally will have been established for the CMBS on the basis of requirements of either any rating agency that may have assigned a rating to the CMBS or the initial purchasers of the CMBS.

The Collateral Quality Tests

The "Collateral Quality Tests" will be used, together with the Eligibility Criteria, primarily as criteria for purchasing Collateral Debt Securities. The Collateral Quality Tests will consist of the Weighted Average Coupon Test, the Weighted Average Hybrid Coupon Test, the Weighted Average Spread Test, the Standard & Poor's CDO Monitor Test, the Moody's Implied Weighted Average Rating Factor Test, the Moody's Asset Correlation Test, the Moody's Weighted Average Recovery Rate Test and the Moody's Weighted Average Life Test.

Measurement of the degree of compliance with the Collateral Quality Tests will be required on the Ramp-Up Completion Date; *provided* that prior to the Ramp-Up Completion Date, measurement of compliance with the Moody's Implied Weighted Average Rating Factor Test, the Moody's Asset Correlation Test, the Moody's weighted Average Recovery Rate Test and the Moody's Weighted Average Life Test will only be required on the first Distribution Date.

Weighted Average Coupon Test. The "Weighted Average Coupon Test" is a test that will be satisfied on the Ramp-Up Completion Date if the Weighted Average Coupon with respect to fixed rate Collateral Debt Securities is equal to or greater than 6.70% on such date.

Weighted Average Hybrid Coupon Test. The "Weighted Average Hybrid Coupon Test" means a test that will be satisfied on the Ramp-Up Completion Date if the Weighted Average Hybrid Coupon with respect to hybrid fixed floating rate Collateral Debt Securities that are classified as Five Year Collateral or Ten Year Collateral is equal to or greater than 8.00% on such date.

Weighted Average Spread Test. The "Weighted Average Spread Test" is a test that will be satisfied if the Weighted Average Spread with respect to floating rate Collateral Debt Securities is equal to or greater than 2.86% on the Ramp-Up Completion Date.

Standard & Poor's CDO Monitor Test. The "Standard & Poor's CDO Monitor Test" is a test that will be satisfied if, after giving effect to the purchase or sale of a Collateral Debt Security (or both), as the case may be, (i) the Standard & Poor's Loss Differential of the Standard & Poor's Proposed Portfolio is positive or (ii) the Standard & Poor's Loss Differential of the Standard & Poor's Proposed Portfolio is greater than the Standard & Poor's Loss Differential of the Standard & Poor's Current Portfolio.

Moody's Implied Weighted Average Rating Factor Test. The "Moody's Implied Weighted Average Rating Factor Test" is a test that will be satisfied on the first Distribution Date, the Ramp-Up Completion Date and any Measurement Date occurring thereafter if, after giving effect to the purchase or sale of a Collateral Debt Security (or both), as the case may be, the Collateral Debt Securities have a Moody's Implied Weighted Average Rating Factor of not more than 1735.

Moody's Asset Correlation Test. The "Moody's Asset Correlation Test" is a test that will be satisfied on the first Distribution Date, the Ramp-Up Completion Date and any Measurement Date occurring thereafter if the Moody's Asset Correlation Factor on such Measurement Date (calculated based on a model that assumes 42 separate obligors) is equal to or less than 7.3%.

Moody's Weighted Average Recovery Rate Test. The "Moody's Weighted Average Recovery Rate Test" is a test that will be satisfied on the first Distribution Date, the Ramp-Up Completion Date and any Measurement Date occurring thereafter if the Moody's Weighted Average Recovery Rate is greater than or equal to 28.5%.

Moody's Weighted Average Life Test. The "Moody's Weighted Average Life Test" is a test that will be satisfied on the first Distribution Date, the Ramp-Up Completion Date and any Measurement Date occurring thereafter if the Moody's Weighted Average Life is not greater than 25.6 years.

Disposition of the Collateral Debt Securities

Collateral Debt Securities may be retired prior to their respective final maturities due to, among other things, the existence and frequency of exercise of any redemption features of such securities. In addition, subject to the terms of the Indenture and the Collateral Management Agreement, including the restrictions described herein, the Collateral Manager may sell any Collateral Debt Security as follows: any Defaulted Security, Credit Impaired Security or Equity Security may be sold at any time.

Collections from the disposition of Collateral Debt Securities may be invested at any time in Eligible Investments maturing not later than the next Distribution Date.

The Issuer may not dispose of any Collateral Debt Security, including any Defaulted Security, Credit Impaired Security or Equity Security if such disposition is for the primary purpose of recognizing gains or decreasing losses resulting from market value changes. In addition, the Issuer may not dispose of any Collateral Debt Security unless such disposition is made on an "arm's-length basis" for fair market value (as determined at the time the Issuer first enters a binding commitment to dispose of such Collateral Debt Security). Any disposition of Collateral Debt Securities will be conducted in accordance with the

requirements of the Collateral Management Agreement, and, if effected with the Collateral Manager, the Issuer, the Trustee or any affiliate of any of the foregoing, will be effected in a secondary market transaction on terms as favorable to the holders of the Notes as would be the case if such person were not so affiliated. Unless the Collateral Manager is required by the terms of the Indenture to sell a Collateral Debt Security or an Eligible Investment, the Collateral Manager may refrain from directing the sale of securities of: (i) Persons of which the Collateral Manager, its affiliates or any of its or its affiliates' officers, directors or employees are directors or officers; (ii) Persons for which the Collateral Manager or any of its affiliates act as financial advisor or underwriter; or (iii) Persons about which the Collateral Manager or any of its affiliates have information which the Collateral Manager deems confidential or non-public or otherwise might prohibit it from trading such securities in accordance with applicable law. If the Collateral Manager, or any affiliate thereof with respect to which the Collateral Manager exercises investment control over the investment decisions of itself or any other Person (such Person, a "Manager Party"), owns any security that is issued by the same issuer as, and is substantially similar in terms of seniority, security (including available guarantees or other credit support) and right of payment to, a Collateral Debt Security owned by the Issuer (such security owned by a Manager Party, a "Corresponding Security") and a Manager Party intends to dispose of such Corresponding Security, the Collateral Manager shall have no obligation to cause the Issuer to sell the related Collateral Debt Security held by the Issuer and the Collateral Manager shall not be liable to the Issuer, any holder of a Note or any other person for its decision not to sell the related Collateral Debt Security held by the Issuer if in the reasonable business judgment of the Collateral Manager the retention of such Collateral Debt Security is in the best interests of the Issuer. The Trustee shall have no responsibility to oversee compliance with the above conditions by the other parties.

In the event of an Auction Call Redemption, Optional Redemption or Tax Redemption of the Notes, the Collateral Manager may direct the Trustee to sell Collateral Debt Securities without regard to the foregoing limitations (except for the limitation that no Collateral Debt Security, including any Defaulted Security, Credit Impaired Security or Equity Security, may be disposed of for the primary purpose of recognizing gains or decreasing losses resulting from market value changes) *provided,* that: (i) the proceeds therefrom will be at least sufficient to pay certain expenses and other amounts and redeem in whole but not in part all Notes to be redeemed simultaneously; and (ii) such proceeds are used to make such a redemption. See "Description of the Rated Notes—Auction Call Redemption" and "Optional Redemption and Tax Redemption."

Acquisition of Collateral Debt Securities Prior to the Ramp-Up Completion Date

Following the Closing Date and on or prior to the Ramp-Up Completion Date, the Issuer will be permitted in accordance with the terms of the Indenture and the Acquisition Resolutions to purchase additional Collateral Debt Securities that meet the Collateral Debt Security Criteria, Eligibility Criteria and other requirements set forth in the Indenture and as described in the next succeeding paragraph.

In the event the aggregate principal amount of Collateral Debt Securities acquired by the Issuer on the Closing Date is less than the Aggregate Ramp-Up Par Amount, the Issuer may acquire Collateral Debt Securities in accordance with the Acquisition Resolutions and/or the Acquisition Representations.

Acquisition Resolutions. The Issuer may elect, on or prior to the Closing Date, adopt the Acquisition Resolutions, which resolutions will authorize the Issuer to use Uninvested Proceeds to purchase additional Collateral Debt Securities so that the total par amount of Collateral Debt Securities held by the Issuer following such purchase will be approximately equal to the Aggregate Ramp-Up Par Amount. If adopted, the Acquisition Resolutions will provide that the Issuer may acquire Collateral Debt Securities during the period from the Closing Date to the Ramp-Up Completion Date from issuers specified on a schedule to the Indenture, in the order in which such issuers are listed on such schedule. The Acquisition Resolutions will also provide, however, that if the Collateral Debt Securities of the

highest ranking issuer on such schedule from whom Collateral Debt Securities have not already been purchased by the Issuer are not available for purchase on the applicable terms set forth on such schedule and in accordance with the terms set forth in the Indenture, then the Issuer will instead acquire Collateral Debt Securities from the next highest ranking issuer on such schedule from whom such Collateral Debt Securities are available on such terms and in accordance with such restrictions. The Indenture will contain corresponding provisions that will permit the Issuer to purchase the securities that are identified in the Acquisition Resolutions and set forth on a schedule to the Indenture.

The Issuer will only use Uninvested Proceeds to purchase Collateral Debt Securities in accordance with the Acquisition Resolution methodology if: (i) the Administrator determines prior to the acquisition of each such additional Collateral Debt Security, acting for this purpose solely from its offices located in the Cayman Islands, that (a) such Collateral Debt Security is a Collateral Debt Security issued by one of the issuers identified on a schedule to the Indenture (which schedule will identify each issuer from which Collateral Debt Securities may be purchased by the Issuer after the Closing Date but prior to the Ramp-Up Completion Date (each, a "Designated Issuer"), (b) the principal amount and purchase price for such Collateral Debt Security is the principal amount and price set forth next to the name of the relevant Designated Issuer on such schedule, (c) such Collateral Debt Security is evidenced by documentation substantially in the form of the documents for such Collateral Debt Security contained in an appendix to the Indenture and (d) such documentation for such Collateral Debt Security contains the interest rate and other material terms set forth next to the name of the relevant Designated Issuer on the above referenced schedule to the Indenture; and (ii) all documentation for such Collateral Debt Securities is executed by the Administrator, one or more directors of the Issuer or an attorney-in-fact of the Issuer acting from offices in the Cayman Islands or elsewhere outside the United States of America. In addition to the above, the Acquisition Resolutions may identify the terms of one or more Hedge Agreements (including, without limitation, Hedge Agreements with the proposed initial Hedge Counterparty) that the Issuer desires to enter into in the event certain of the Collateral Debt Securities identified in the Acquisition Resolutions are acquired by the Issuer. In the event the Issuer acquires any such security for which the Issuer has identified the terms of a corresponding Hedge Agreement, the Issuer will enter into such Hedge Agreement on or promptly following the date on which the Issuer acquires such security on the terms and with the Hedge Counterparty identified in the Acquisition Resolutions (but in no event shall any such Hedge Agreement identified in the Acquisition Resolutions be entered into after the Ramp-Up Completion Date, unless such Hedge Agreement is otherwise permitted by the Indenture).

Except with respect to the settlement of purchase commitments made prior to the Ramp-Up Completion Date or purchaser in accordance with the Acquisition Representations, neither the Issuer nor the Board or any authorized individual on the Issuer's behalf will be permitted to acquire any Collateral Debt Security on any date after the Ramp-Up Completion Date.

Acquisition Representations. The Issuer may elect to satisfy the conditions and make the representations and warranties (the "Acquisition Representations") set forth in Exhibit S to the Indenture with regard to "seasoning" of the Collateral Debt Securities, among other matters, prior to purchase or any commitment to purchase by the Issuer in connection with the acquisition of Collateral Debt Securities after the Closing Date, such that the total par amount of Collateral Debt Securities held by the Issuer following such acquisition will be approximately equal to the Aggregate Ramp-Up Par Amount.

General. Notwithstanding compliance with Acquisition Resolutions or the Acquisition Representations, the Issuer will only use Uninvested Proceeds to purchase Collateral Debt Securities if: (i) such securities meet the Collateral Debt Security Criteria; (ii) the Eligibility Criteria are satisfied with respect thereto; (iii) no Event of Default under the Indenture exists or will exist after giving effect to such acquisition (unless such Collateral Debt Security was the subject of a commitment to purchase of the Issuer prior to the occurrence of such Event of Default); (iv) certain procedures identified in the Indenture

relating to the perfection of the Trustee's security interest in the Collateral Debt Securities have taken place.

The Issuer may elect to acquire Collateral Debt Securities after the Closing Date using either or both of the Acquisition Resolution methodology and the Acquisition Representations methodology.

If the Issuer has previously entered into a commitment to acquire an obligation or security from a Collateral Debt Securities Issuer for inclusion in the Collateral, then such Collateral Debt Securities Issuer need not satisfy any of the Collateral Debt Security Criteria or the Eligibility Criteria on the date of such acquisition if such Collateral Debt Securities Issuer satisfied the Collateral Debt Security Criteria and Eligibility Criteria on the date on which the Issuer entered into such commitment. If an Event of Default shall have occurred and be continuing, no Collateral Debt Security may be acquired unless it was the subject of a commitment entered into by the Issuer prior to the occurrence of such Event of Default.

The Issuer may not acquire any Collateral Debt Security unless such acquisition is made on an "arm's-length basis" for fair market value (as determined at the time the Issuer first enters a binding commitment to acquire such Collateral Debt Security). Any acquisition of Collateral Debt Securities will be conducted in accordance with the requirements of the Collateral Management Agreement, and, if effected with the Collateral Manager, the Issuer, the Trustee or any affiliate of any of the foregoing, will be effected in a secondary market transaction on terms as favorable to the holders of the Notes as would be the case if such person were not so affiliated. Notwithstanding the foregoing, the Issuer will not acquire any Collateral Debt Security if such acquisition is for the primary purpose of recognizing gains or decreasing losses resulting from market value changes.

Warehousing. Barclays Bank, an affiliate of Barclays Capital Inc. made advances, as a senior lender, under a lending facility (the "Warehouse Facility") to Kodiak Warehouse LLC, an affiliate of the Collateral Manager (the "Warehouse Entity"), pursuant to which the Warehouse Entity has purchased and may purchase Collateral Debt Securities identified by the Warehouse Entity, a portion of which Collateral Debt Securities may, from time to time, be sold to the Issuer. In the event that, after the Closing Date, such Collateral Debt Securities are sold to the Issuer, the proceeds of any such sale will be used to repay the Warehouse Facility, including the repayment of advances made by Barclays Bank. The price at which the Issuer acquires any Collateral Debt Security will be equal to the fair market value of such Collateral Debt Security as determined by the Collateral Manager in good faith and on terms and conditions that are no less favorable to the Issuer as the terms it would obtain in a comparable arm's length transaction with a non-Affiliate which determination may be based on, but not be limited to, either of the following procedures, (i) obtaining confirmation in writing from an independent valuation firm of national standing selected by the Collateral Manager from time to time that the fair market value as determined by the Collateral Manager is reasonable or (ii) obtaining a price quote or indicative bid from a dealer who generally deals in Collateral Debt Securities and is willing to purchase such Collateral Debt Security in the ordinary course of business.

The Hedge Agreements

On the Closing Date and at any time prior to the Ramp-Up Completion Date, the Issuer may enter into one or more interest rate protection agreements (such agreements together, and any replacements therefor entered into in accordance with the Indenture, the "Hedge Agreements") with a counterparty with respect to which the Rating Condition has been satisfied by Standard & Poor's and Moody's (together with any permitted successors or assigns under the Hedge Agreements with respect to which the Rating Condition has been satisfied by Standard & Poor's and Moody's, the "Hedge Counterparty"). Pursuant to the Priority of Payments, scheduled payments required to be made by the Issuer under the Hedge Agreements, together with any Qualified Termination Payments, will be payable pursuant to paragraph (4) under "Priority of Payments—Interest Proceeds." The Hedge Agreements will be governed by New

York law. The Indenture and the Hedge Agreements will provide that the Issuer and the Hedge Counterparty will comply with the following five paragraphs.

If the Hedge Ratings Determining Party for any Hedge Counterparty fails to satisfy the Hedge Counterparty Ratings Requirement at any time, then such Hedge Counterparty shall (solely at the expense of the Hedge Counterparty) post collateral pursuant to the Credit Support Annex to the related Hedge Agreement, or obtain a guarantee or make an assignment to a replacement Hedge Counterparty or take such other action which satisfies the Rating Condition.

In respect of any Hedge Counterparty, if its Hedge Ratings Determining Party fails to satisfy the Ratings Threshold, then the relevant Hedge Counterparty shall within ten Business Days of the occurrence of a Ratings Event (as defined in the related Hedge Agreement) either (x) assign its rights and obligations in and under the related Hedge Agreement (at its own expense) to another Hedge Counterparty that has ratings at least equal to the Hedge Counterparty Ratings Requirement or (y) enter into any other agreement with or arrangement for the benefit of the Issuer and the Trustee that is reasonably satisfactory to the Trustee on behalf of the Issuer and with respect to which the Rating Condition is satisfied.

The Trustee will deposit all collateral received from a Hedge Counterparty under a Hedge Agreement in a securities account in the name of the Trustee that will be designated the "Hedge Counterparty Collateral Account" which account will be maintained for the benefit of the holders of the Notes, each Hedge Counterparty and the Trustee.

The Hedge Agreements will each be subject to partial termination and revision by the Collateral Manager, in the event that amounts are applied to the redemption of Rated Notes on any Distribution Date in accordance with the Priority of Payments by reason of a Rating Confirmation failure or failure to satisfy any of the Coverage Tests, then, subject to the satisfaction of the Rating Condition by Standard & Poor's and Moody's with respect to such termination, the interest rate swap transaction(s) under the Hedge Agreement(s) will be subject to partial termination on such Distribution Date with respect to a portion of the notional amount thereof equal to the aggregate outstanding principal amount of Notes so redeemed on such Distribution Date multiplied by a fraction equal to the notional amount of the interest rate swap transaction(s) divided by the aggregate outstanding principal amount of the Rated Notes prior to such redemption. In addition, subject to the satisfaction of the Rating Condition with respect to such reduction, the Collateral Manager, with the consent of the Hedge Counterparty, may on any Distribution Date direct the Issuer to reduce the notional amount of any outstanding interest rate swap transaction or cap transaction.

The Hedge Agreements will each be subject to termination upon the earlier to occur of (a) an Event of Default followed by the liquidation of the Collateral in accordance with the Indenture and (b) any Auction Call Redemption, Optional Redemption or Tax Redemption. In the event that amounts are applied to the redemption of Notes on any Distribution Date in accordance with the Priority of Payments by reason of a failure to satisfy any of the Coverage Tests, then, subject to the satisfaction of the Rating Condition by Standard & Poor's and Moody's, the floating-fixed rate interest swaps under the Hedge Agreements will be subject to partial termination on such Distribution Date with respect to a portion of the notional amount thereof equal to the aggregate outstanding principal amount of Notes so redeemed on such Distribution Date. In addition, subject to the satisfaction of the Rating Condition by Standard & Poor's and Moody's with respect to such reduction, the Collateral Manager and the holders of a majority of the aggregate outstanding principal amount of the Income Notes (acting together) may on any Distribution Date direct the Issuer to reduce the notional amount of any interest rate swap or cap outstanding under any Hedge Agreement. Upon any such termination or reduction of a notional amount, a termination payment with respect to the notional amount terminated or reduced may become payable by

the Hedge Counterparty or the Issuer to the other party under the Hedge Agreements, with such termination payment being calculated as described below.

Amounts payable upon any such termination or reduction will based upon standard replacement transaction valuation methodology set forth in the 1992 ISDA Master Agreement published by the International Swaps and Derivatives Association, Inc. If any amount is payable by the Issuer to the Hedge Counterparty in connection with the occurrence of any such partial termination or notional amount reduction, such amount, together with interest on such amount for the period from and including the date of termination to but excluding the date of payment at a rate per annum (calculated using a 30/360 Day Count Fraction) equal to the cost of funds therefor, as determined in accordance with each Hedge Agreement, shall be payable on such Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments, and any amount not so paid on such Distribution Date shall be payable on the first Distribution Date on which such amount may be paid in accordance with the Priority of Payments. Pursuant to the Indenture, the Trustee will make available to the Noteholders, on a monthly basis, certain reports in electronic format which provide information with respect to the Collateral.

The obligations of the Issuer under the Hedge Agreements are limited recourse obligations payable solely from the Collateral pursuant to the Priority of Payments.

The Hedge Counterparty

The information in this section relating to Barclays Bank PLC has been obtained from Barclays Bank PLC for use in this Offering Circular. The information concerning Barclays Bank PLC contained herein is furnished solely to provide limited introductory information regarding Barclays Bank PLC, as Hedge Counterparty, and does not purport to be comprehensive. The provision of such information does not create any implication that there has been no change in the affairs of Barclays Bank PLC since the date hereof, or that the information contained or referenced in this section is correct as of any time subsequent to its date. No representation is made by the Issuer, the Collateral Manager, the Trustee or the Placement Agents as to the accuracy or completeness of the information in this section.

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

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

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

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

By Regulation, the European Union agreed that virtually all listed companies must use International Financial Reporting Standards ("IFRS") adopted for use in the European Union in the preparation of their 2005 consolidated accounts. The Group has applied IFRS from 1 January 2004, with the exception of the standards relating to financial instruments (IAS 32 and IAS 39) and insurance contracts (IFRS 4) which were applied only with effect from 1 January 2005. Therefore, in the Group's 2005 Annual Report, the impacts of adopting IAS 32, IAS 39 and IFRS 4 are not included in the 2004 comparatives in accordance with First-time Adoption of International Financial Reporting Standards (IFRS 1). The results for 2005 are therefore not entirely comparable to those for 2004 in affected areas.

The Accounts

Collection Accounts

All distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities, to the extent such distributions or proceeds constitute Interest Proceeds (unless simultaneously reinvested in Eligible Investments), other than 50% of any interest payments on a semi-annual interest paying security received in cash by the Issuer in any Due Period which will be deposited in the Semi-Annual Interest Reserve Account, if any, will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Interest Collection Account"). All distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities to the extent such distributions or proceeds constitute Principal Proceeds (unless simultaneously reinvested in Eligible Investments) will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Principal Collection Account" and, together with the Interest Collection Account, the "Collection Accounts"). The Collection Accounts shall be maintained for the benefit of the Secured Parties and amounts on deposit therein will be available, together with reinvestment earnings thereon, for application in the order of priority set forth above under "Description of the Rated Notes—Priority of Payments."

Amounts received in the Collection Accounts during a Due Period and amounts received in prior Due Periods and retained in the Collection Accounts under the circumstances set forth above in "Description of the Rated Notes—Priority of Payments" will be invested in Eligible Investments (as described below) with stated maturities no later than the Business Day immediately preceding the next Distribution Date. All such proceeds will be retained in the Collection Accounts unless otherwise used in a manner permitted under the Indenture. See "—Eligibility Criteria."

Custodial Account

The Trustee will credit all Collateral Debt Securities to the "Custodial Account."

Payment Account

On or prior to the Business Day prior to each Distribution Date, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Payment Account") for the benefit of the Secured Parties all funds in the Collection Accounts required for payments to the holders of the Notes and payments of fees and expenses in accordance with the priority described under "Description of the Rated Notes—Priority of Payments."

Uninvested Proceeds Account

On the Closing Date, the Trustee will deposit into a single, segregated account established and maintained by or on behalf of the Trustee under the Indenture (the "Uninvested Proceeds Account") all Uninvested Proceeds (other than the organizational fees and other expenses of the Issuer incurred in connection with the effectuation of the transactions contemplated hereby on the Closing Date (including, without limitation, the legal fees and expenses of counsel to the Issuer, the Placement Agents and the Collateral Manager), the expenses of offering of the Offered Securities and amounts deposited in the Expense Account on such date). The Issuer may, prior to the Ramp-Up Completion Date, use funds on deposit in the Uninvested Proceeds account to acquire Collateral Debt Securities in accordance with the terms of the Indenture. Prior to such use of such funds by the Issuer, the Collateral Manager on behalf of the Issuer may direct the Trustee to, and upon such direction the Trustee shall, invest funds in the Uninvested Proceeds Account in Eligible Investments. Interest and other income from such investments shall be charged to the Uninvested Proceeds Account. Investment earnings on Eligible Investments in the Uninvested Proceeds Account will be transferred to the Interest Collection Account, to be treated as Interest Proceeds, on or prior to the Ramp-Up Completion Date. Other than as set forth in the preceding sentence, on or prior to the Ramp-Up Completion Date, the Trustee will transfer any Uninvested Proceeds remaining on deposit in the Uninvested Proceeds Account to the Interest Collection Account or the Payment Account at the Collateral Manager's discretion (i) if a Ratings Confirmation has occurred, to the extent of Interest Excess to be treated as Interest Proceeds and the remainder to be treated as Principal Proceeds, respectively, to be distributed in accordance with the Priority of Payments, and (ii) in the event of a Ramp-Up Ratings Confirmation Failure, to be treated as Uninvested Proceeds to the extent the Rating Agencies require that Uninvested Proceeds be used to make payments in respect of principal on Rated Notes and to be treated as Principal Proceeds, to be distributed in accordance with the Priority of Payments, to the extent such funds are in excess of the amount of funds necessary to meet the requirements of the Rating Agencies. Promptly following the Ramp-Up Completion Date, the Trustee shall cause the Uninvested Proceeds Account to be closed.

Expense Account

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Issuer (including, without limitation, the legal fees and expenses of counsel to the Issuer, the Placement Agents and the Collateral Manager) and the expenses of offering the Notes and Combination Notes, U.S.$50,000 from the proceeds of the offering of the Notes and Combination Notes will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Expense Account"). All funds on deposit in the Expense Account will be invested in Eligible Investments. On each Distribution Date, to the extent that funds are available for such purpose in accordance with the Priority of Payments and subject to the dollar limitation set forth in paragraph (2) under "Description of the Rated Notes—Priority of Payments—Interest Proceeds," the Trustee will deposit into the Expense Account an amount from Interest Proceeds (and, to the extent that Interest Proceeds are insufficient, from Principal Proceeds) such that the amount on deposit in the Expense Account (after giving effect to such deposit) will equal U.S.$50,000. Amounts on deposit in the Expense Account may be withdrawn from time to time to pay accrued and unpaid expenses of the Issuer (other than fees and expenses of the Trustee and the Collateral Management Fee, but including other amounts

payable by the Issuer to the Collateral Manager under the Collateral Management Agreement or the Indenture). All funds on deposit in the Expense Account will be invested in Eligible Investments. All amounts remaining on deposit in the Expense Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of (as determined by the Collateral Manager) will be deposited by the Trustee into the Payment Account for application as Interest Proceeds on the immediately succeeding Distribution Date.

Semi-Annual Interest Reserve Account

Pursuant to the Indenture, the Trustee will establish and maintain a single, segregated account (the "Semi-Annual Interest Reserve Account"). On any date upon which the Issuer receives interest payments in cash in respect of a semiannual interest paying security, the Trustee will deposit 50% of such interest payments on any such semi-annual interest paying security into the Semi-Annual Interest Reserve Account, unless (i) the principal amount of the security was redeemed in full on that date or (ii) the security is scheduled to make another interest payment prior to the Determination Date subsequent to the next Distribution Date. At least one Business Day prior to each Distribution Date, the Trustee shall transfer all amounts deposited in the Semi-Annual Interest Reserve Account on or prior to the Determination Date preceding the last Distribution Date (including any interest accrued on any such amount) to the Payment Account for application as Interest Proceeds in accordance with the Priority of Payments and such transfer shall be the only permitted withdrawal from, or application of funds on deposit in, or otherwise standing to the credit of, the Semi-Annual Interest Reserve Account.

Hedge Counterparty Collateral Account

Pursuant to the Indenture, the Trustee will establish and maintain a "Hedge Counterparty Collateral Account." The Trustee shall deposit all collateral received from the Hedge Counterparty under the Hedge Agreements in the Hedge Counterparty Collateral Account. Any and all funds at any time on deposit in, or otherwise standing to the credit of, the Hedge Counterparty Collateral Account shall be held in trust by the Trustee for the benefit of the Secured Parties. The only permitted withdrawal from or application of funds on deposit in, or otherwise standing to the credit of, the Hedge Counterparty Collateral Account shall be (i) for application to obligations of the Hedge Counterparty to the Issuer under the Hedge Agreements that are not paid when due (whether when scheduled or upon early termination) or (ii) to return collateral to the Hedge Counterparty when and as required by the Hedge Agreements.

THE COLLATERAL MANAGER

The information appearing in the section entitled "The Collateral Manager" has been prepared by The Collateral Manager and has not been independently verified by the Placement Agents or the Co-Issuers. The Collateral Manager confirms that, having taken all reasonable care to ensure that such is the case, the information contained in these sections is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect its import. Accordingly, the Collateral Manager assumes responsibility for the information contained in this section.

General Information

Kodiak CDO Management LLC ("Kodiak CDO Management") is a Delaware limited liability company wholly-owned by Kodiak Funding LP. Kodiak CDO Management was formed on November 14, 2005 for the purpose of acting as a collateral manager but currently only serves in such capacity with respect to the Issuer (although in the future, it may act as collateral manager for other entities in addition to the Issuer). The managing member of Kodiak CDO Management is Harbor Asset Management Company LLC. Kodiak Capital Management Company, the external asset manager of Kodiak Funding LP, is majority-owned by Harbor Asset Management Company LLC and partially-owned by an affiliate

of The Bear Companies II, LLC. The managing member of Harbor Asset Management Company LLC is EJF Capital LLC. The executive offices of Kodiak CDO Management are currently located at 2107 Wilson Boulevard, Suite 400, Arlington, VA 22201 and the telephone number of Kodiak CDO Management's executive offices is (703) 875-7622. Please review "Risk Factors – Other Risk Factors – Access to Key Services" for a discussion of certain risks associated with Harbor Asset Management Company's relationship with EJF Capital LLC.

In order for the Collateral Manager to prepare the reports required by the Collateral Management Agreement, the Collateral Manager will be required to analyze each Collateral Debt Security on a quarterly basis.

Key Personnel

The Collateral Manager will use the services of certain of the individuals set forth below, although it may not necessarily continue to use their services during the entire term of the Collateral Management Agreement.

Neal J. Wilson

Mr. Wilson is a member of Kodiak Capital Management's Executive Committee. Prior to joining Kodiak Capital Management, Mr. Wilson served as Senior Managing Director in both the Alternative Asset Investments and Private Wealth Management groups at Friedman, Billings, Ramsey & Co., Inc. ("FBR"). Prior to his experience at FBR, Mr. Wilson was a senior securities attorney at Dechert, LLP and a branch chief at the Securities and Exchange Commission. He received his Bachelor of Arts from Columbia University and his Juris Doctor from the University of Pennsylvania. Mr. Wilson is a member of the Board of Trustees of the Montgomery County Public Schools Employee Pension and founding board member of the Mid-Atlantic Hedge Fund Association.

Origination Committee

Jeffrey M. McClure

Mr. McClure is the Chief Executive Officer of Kodiak Capital Management and a member of its Executive Committee. Mr. McClure founded The Bear Companies in March of 2005 to participate in the creation of the TruPS market for real estate related companies. Since its inception, The Bear Companies and its affiliated broker-dealer have been the third-party originator for the issuance of nearly $600 million of TruPS and junior subordinated notes in the first year of this newly created business. Prior to founding The Bear Companies, Mr. McClure co-founded Velasco Group in 2002. Velasco was involved in the acquisition of real estate assets as well as providing financing and advisory expertise to a variety of real estate clients.

Prior to founding Velasco, Mr. McClure spent five years at FBR, serving most recently as a Managing Director in the Real Estate Investment Banking Group. While at FBR, he was actively involved in raising over $4.0 billion of debt and equity capital for real estate investment trusts and real estate companies. Mr. McClure received his Juris Doctor with Distinction from the George Mason School of Law and is a member of the Virginia State Bar. Mr. McClure received his B.B.A. in Finance from Texas A&M University.

N. David Doyle

Mr. Doyle is the Chief Operating Officer of Kodiak Capital Management. Mr. Doyle also co-founded Harbor Asset Management in 2005 and has more than 11 years in capital raising and advisory assignments for public and private real estate companies.

Prior to co-founding Harbor Asset Management, he spent 10 years in the Real Estate Investment Banking department of FBR, becoming its head in 2001. During his 10 years at FBR, Mr. Doyle was involved in capital raising transactions with proceeds in excess of $9 billion and merger transactions in excess of $2 billion. Prior to joining FBR, he was a Vice President for Prudential Securities. Mr. Doyle received his Master of Business Administration from Columbia University and a Bachelor of Arts from Hobart College.

Harry J. Devens

Mr. Devens is the President of Kodiak Capital Management. Mr. Devens co-founded The Bear Companies and has served as its President since 2005. Prior to co-founding The Bear Companies, Mr. Devens co-founded Velasco Group in 2002. While at Velasco, Mr. Devens was instrumental in the purchase and management of that firm's affiliated broker-dealer, which completed several advisory assignments. Mr. Devens also oversaw the firm's property acquisition pursuits.

Prior to co-founding Velasco, Mr. Devens was a senior associate in the Real Estate Investment Banking Group of Goldman, Sachs & Co. in New York. At Goldman, Mr. Devens specialized in structured real estate debt origination and securitization. He was actively involved with secured, fixed- and floating-rate debt transactions totaling more than $5 billion. Mr. Devens received his Juris Doctor from the George Mason University School of Law and is a member of the Virginia State Bar. Mr. Devens received his B.A. in Political Science from Colgate University.

Investment Committee

Bharat B. Bhatt

Mr. Bhatt is the Chairman of Kodiak Capital Management's Executive Committee. He has extensive experience in building large financial services companies. Mr. Bhatt served as the Director, President and COO of GreenPoint Financial Corporation until its $6.3 billion acquisition by North Fork Bancorp in 2004. Mr. Bhatt has also held the position of CFO of Shawmut National Corporation from 1992 through 1994. Prior to his position at Shawmut National Corporation, he was SVP of Mellon Bank from 1989 through 1992. Mr. Bhatt is a graduate of the University of Bombay.

Jeffrey M. McClure (see "Origination Committee" above)

N. David Doyle (see "Origination Committee" above)

Harry J. Devens (see "Origination Committee" above)

Monitoring Committee

Robert M. Hurley, CPA

Mr. Hurley is the Chief Financial Officer of Kodiak Capital Management and of Harbor Asset Management LLC. Mr. Hurley is a Certified Public Accountant with over 20 years of experience in the financial services industry. He is the former CFO and SVP of the U.S. Consumer Finance Branch Division of Citigroup, which had real estate assets of over $25 billion. He also worked on the Associate First Capital and Washington Mutual Finance Company acquisitions totaling approximately $13 billion of

real estate. Previously, Mr. Hurley also served as CFO and SVP of Credit Card Division of Chevy Chase Bank, FSB. He has also chaired two bank asset/liabilities management committees during his career. Mr. Hurley received an MBA in finance from DePaul University.

N. David Doyle (see "Origination Committee" above)

Harry J. Devens (see "Origination Committee" above)

THE COLLATERAL MANAGEMENT AGREEMENT

General

The Collateral Manager will perform on behalf of the Issuer certain duties specifically delegated to it in accordance with the Collateral Management Agreement and the Indenture. In particular, it will advise the Issuer with respect to the acquisition and disposition of any Collateral Debt Securities and monitor the Collateral Debt Securities on behalf of the Issuer. The Collateral Manager will also advise the Issuer with respect to entering into, and administering the Hedge Agreements.

In addition, pursuant to the terms of the Collateral Administration Agreement between the Issuer, the Collateral Manager and JPMorgan Chase Bank, National Association (the "Collateral Administration Agreement"), the Issuer will retain JPMorgan Chase Bank, National Association, as collateral administrator (the "Collateral Administrator"), to prepare certain reports with respect to the Collateral Debt Securities. The compensation paid to the Collateral Administrator by the Issuer for such services will be in addition to the fees paid to the Collateral Manager and to JPMorgan Chase Bank, National Association in its capacity as Trustee, and will be treated as an expense of the Issuer under the Indenture and will be subject to the priorities set forth under "Description of the Rated Notes—Priority of Payments." Pursuant to the Indenture, the Trustee will make available to the Noteholders, on a monthly basis, certain reports in electronic format which provide information with respect to the Collateral.

The Collateral Manager shall perform its duties and functions under the Collateral Management Agreement and under the Indenture, subject to the terms and conditions thereof, using a degree of skill and attention no less than that which the Collateral Manager exercises with respect to assets that it administers for itself and for others in accordance with its existing practices and procedures relating to assets of the nature and character of the Collateral (or, if more exacting, its practices and procedures in effect from time to time), except as expressly provided otherwise in the Collateral Management Agreement or the Indenture. The Collateral Manager will be entitled to indemnification by the Issuer under certain circumstances (as described more fully below), which amounts will be payable in accordance with the Priority of Payments set forth in the Indenture.

Pursuant to the terms of the Collateral Management Agreement, the Collateral Manager will not assume any responsibility other than to render the services called for thereunder and under the terms of the Indenture applicable to it in good faith and, subject to the standard of conduct described therein, will not be responsible for any action of the Issuer or the Trustee in following or declining to follow any advice, recommendation or direction of the Collateral Manager. The Collateral Manager Indemnified Parties (as defined below) will not be liable to the Issuer, the Trustee, the holders of the Offered Securities or any other person for any act, omission, error of judgment, mistake of law, or for any claim, loss, liability, damage, settlement, cost or other expense (including attorneys' fees and expenses and court costs) arising out of any investment, or for any other act or omission in the performance of the Collateral Manager's obligations under or in connection with the Collateral Management Agreement or the terms of any other transaction document applicable to the Collateral Manager, incurred as a result of actions taken or recommended or for any omissions of the Collateral Manager, or for any decrease in the value of the Collateral, except, in the case of the Collateral Manager, (A) by reason of acts constituting bad faith,

willful misconduct fraud or gross negligence in the performance of, or reckless disregard of, its duties under the Collateral Management Agreement or under the Indenture and (B) with respect to information concerning the Collateral Manager provided in writing by the Collateral Manager expressly for inclusion in this Offering Circular, such information containing any untrue statement of material fact or omitting to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading (such matters described in (A) and (B) above collectively being referred to herein as "Collateral Manager Breaches"). In addition, the Collateral Manager will not be liable for any consequential, punitive, exemplary or treble damages or lost profits.

Pursuant to the terms of the Collateral Management Agreement, the Issuer shall indemnify and hold harmless the Collateral Manager and its Affiliates and each of their directors, officers, shareholders, partners, members, agents and employees (each, a "Collateral Manager Indemnified Party") from and against any and all losses, claims, damages, judgments, assessments, costs or other liabilities (collectively, "Losses") and will promptly reimburse each such Collateral Manager Indemnified Party for all reasonable fees and expenses incurred by a Collateral Manager Indemnified Party with respect thereto (including reasonable fees and expenses of counsel) (collectively, "Expenses") arising out of or in connection with the issuance of the Offered Securities (including, without limitation, any untrue statement of material fact contained herein or omission or alleged omission to state a material fact necessary in order to make the statements herein, in light of the circumstances under which they were made, not misleading), the transactions contemplated by this Offering Circular, the Indenture or the Collateral Management Agreement and any acts or omissions of any such Collateral Manager Indemnified Party; *provided*, that such Collateral Manager Indemnified Party shall not be indemnified for any Losses or expenses incurred as a result of any acts or omissions by any such Collateral Manager Indemnified Party that constitute one or more Collateral Manager Breaches. The obligations of the Issuer to indemnify any Collateral Manager Indemnified Party for any Losses or Expenses shall be payable solely out of the Collateral in accordance with the Priority of Payments.

Pursuant to the terms of the Collateral Management Agreement, the Collateral Manager shall indemnify and hold harmless the Issuer (and each of its directors, officers, stockholders, partners, members, agents and employees) (each, an "Issuer Indemnified Party") from and against any and all Losses and will promptly reimburse each such Issuer Indemnified Party for all Expenses incurred by an Issuer Indemnified Party with respect thereto arising out of or in connection with one or more Collateral Manager Breaches; *provided* that such Issuer Indemnified Party shall not be indemnified for any Losses or Expenses incurred as a result of any acts or omissions by such Issuer Indemnified Party that constitute bad faith, willful misconduct, gross negligence or reckless disregard of the obligations of such Issuer Indemnified Party under the Collateral Management Agreement or under the terms of any other transaction document applicable to it. The Hedge Counterparty and each Placement Agent is an express third party beneficiary of the Collateral Management Agreement.

The Collateral Manager may, without the prior consent of any person, (i) employ third parties, including its Affiliates, to render advice and assistance and (ii) delegate to any employee, agent or third party, including its Affiliates, any or all of its duties under the Collateral Management Agreement; *provided*, that the Collateral Manager shall not be relieved of any of its duties under the Collateral Management Agreement regardless of the performance of any services by any such employee, agent or third party.

Except as described in the immediately preceding paragraph, the Collateral Manager may not assign or delegate, or be deemed for the purposes of Section 205(a)(1) of the Investment Advisers Act to have assigned, its rights or responsibilities under the Collateral Management Agreement, (a) unless the Rating Condition shall be satisfied with respect to such assignment or delegation and (b) without the consent of the Issuer and the holders of a majority of the aggregate outstanding principal amount of the Income Notes. The Collateral Manager shall be permitted, however, without the consent of the Issuer or

the consent of the holders of the Income Notes or satisfaction of the Rating Condition, to assign or delegate any or all of its rights or obligations under the Collateral Management Agreement to an Affiliate, or the wholly-owned subsidiary of an Affiliate, so long as such Affiliate (A) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement, (B) is legally qualified and has the capacity to act as Collateral Manager under the Collateral Management Agreement and (C) immediately after the assignment or delegation, employs principal personnel performing the duties required under the Collateral Management Agreement with substantially similar qualifications as those individuals who would have performed such duties had the assignment or delegation not occurred; *provided,* that the Collateral Manager shall be permitted, with the consent of the Issuer and the holders of a majority of the aggregate outstanding principal amount of the Income Notes, to assign to an entity, other than an Affiliate, which immediately after the assignment employs the same principal personnel performing the duties required under the Collateral Management Agreement who are the same individuals who would have performed such duties had the assignment not occurred*; provided,* that such entity meets the criteria in subclauses (A) and (B) and the Rating Condition shall be satisfied with respect to such assignment.

The Collateral Management Agreement may not be amended (a) unless the Rating Condition is satisfied with respect to such amendment and (b) without the consent of the Issuer and the Collateral Manager as well as the holders of Notes that would be sufficient to meet the voting requirements for such an amendment if it were made to the Indenture.

The Collateral Manager may resign upon 90 days' prior written notice to the Issuer (or such shorter notice as is acceptable to the Issuer), the Trustee and the Rating Agencies; *provided*, that no such resignation will be effective until a replacement collateral manager is appointed in accordance with the terms of the Collateral Management Agreement.

The Collateral Management Agreement may be terminated and the Collateral Manager may be removed for Cause upon 30 days' prior written notice to the Collateral Manager by the Issuer or Trustee, at the direction of at least (a) 66 2/3% in aggregate outstanding principal amount of the Notes of the Controlling Class or (b) 66 2/3% in aggregate outstanding principal amount of the Income Notes. No such termination or removal shall be effective until the date as of which a successor collateral manager shall have agreed in writing to assume all of the Collateral Manager's duties and obligations pursuant to the Collateral Management Agreement and as specified in the Indenture. For purposes of the Collateral Management Agreement, "Cause" will mean: (a) the Collateral Manager willfully and intentionally violates any material provision of the Collateral Management Agreement applicable to it (including, without limitation, any representation contained therein); (b) the Collateral Manager breaches in any respect any provision of the Collateral Management Agreement applicable to it (other than as covered by clause (a) and it being understood that failure to meet any Coverage Tests (other than upon and as a direct result of the purchase of any particular Collateral Debt Security) is not a breach under this subclause (b)) and such breach has a material adverse effect on the holders of the Notes of any Class of Notes and the Collateral Manager fails to cure such breach within 30 days after notice of such failure is given to the Collateral Manager unless, if such failure is remediable, the Collateral Manager has taken action that the Collateral Manager in good faith believes will remedy, and that does in fact remedy, such failure within 60 days after its becoming aware of, or its receiving notice of, such failure; (c) the failure of any representation, warranty, certification or statement made or delivered by the Collateral Manager in or pursuant to the Collateral Management Agreement or the Indenture to be correct in any respect when made and such failure is reasonably expected to have a material adverse effect on the holders of any Class of Notes (in each case, in their capacity as holders of Notes) and, if capable of being cured, is not cured within 30 days after the Collateral Manager becomes aware of, or its receipt of notice from the Issuer or the Trustee of, such failure; (d) the Collateral Manager is wound up or dissolved or there is appointed over it or a substantial portion of its assets in connection with any winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law, a receiver, administrator,

administrative receiver, trustee or similar officer; or the Collateral Manager: (i) ceases to be able to, or admits in writing its inability to, pay its debts as they become due and payable, or makes a general assignment for the benefit of, or enters into any composition or arrangement with, its creditors generally; (ii) applies for or consents (by admission of material allegations of a petition or otherwise) to the appointment of a receiver, trustee, assignee, custodian, liquidator or sequestrator (or other similar official) of the Collateral Manager or of any substantial part of its properties or assets in connection with any winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law, or authorizes such an application or consent, or proceedings seeking such appointment are commenced without such authorization, consent or application against the Collateral Manager and continue undismissed for 60 days; (iii) authorizes or files a voluntary petition in bankruptcy, or applies for or consents (by admission of material allegations of a petition or otherwise) to the application of any bankruptcy, reorganization, arrangement, readjustment of debt, insolvency or dissolution, or authorizes such application or consent, or proceedings to such end are instituted against the Collateral Manager without such authorization, application or consent and are approved as properly instituted and remain undismissed for 60 days or result in adjudication of bankruptcy or insolvency; or (iv) permits or suffers all or any substantial part of its properties or assets to be sequestered or attached by court order and the order remains undismissed for 60 days; or (e) the occurrence of an act by the Collateral Manager that constitutes fraud or criminal activity in the performance of its obligations under the Collateral Management Agreement, or the Collateral Manager or any of its executive officers primarily responsible for administration of the Collateral Debt Securities (in the performance of his or her investment management duties) being indicted for a criminal offense related to its primary business.

So long as Kodiak CDO Management or any of its Affiliates is the Collateral Manager, the Collateral Management Agreement may be terminated and the Collateral Manager may be removed by the Issuer, acting upon the direction of Holders of a Majority of the aggregate outstanding principal amount of the Controlling Class (excluding any Notes held by the Collateral Manager or its Affiliates) upon ten Business Days' prior written notice to the Collateral Manager, the Trustee and each Rating Agency, if (the following, a "Key Person Event") three out of Jeffrey M. McClure, N. David Doyle, Harry J. Devens, Bharat B. Bhatt, Robert M. Hurley and Neal J. Wilson (each, a "Key Person") cease, for any reason, to be actively involved in the management of the Collateral Debt Securities, in each case for a period of more than 90 consecutive days; unless (A) (x) a replacement for each Key Person who no longer satisfies the criteria set forth above (a "Proposed Replacement") shall have been proposed by the Collateral Manager within 30 days (or, in the case of replacement due to permanent disability or death of a Key Person, 60 days) of the occurrence of a Key Person Event by notice in writing to the Issuer, the Trustee and the holders of the Offered Securities and (y) such Proposed Replacement has not been rejected by a Majority of the Controlling Class in writing (and acting reasonably) within 30 days after the date of the notice of the Proposed Replacement, and (B) if such Proposed Replacement has been rejected by a Majority of the Controlling Class pursuant to clause (A) above, (x) a second Proposed Replacement shall have been proposed by the Collateral Manager within 30 days (or, in the case of replacement due to permanent disability or death of a Key Person, 60 days) of receipt of such rejection by the Collateral Manager by notice to the Issuer, the Trustee and the holders of the Securities and (y) such second Proposed Replacement has not been rejected by a Majority of the Controlling Class in writing (and acting reasonably) within 30 days after the date of such second notice of a Proposed Replacement.

No Offered Securities held by, or with respect to which discretionary voting rights are held by, the Collateral Manager or its affiliates or their respective employees will have any voting rights with respect to any vote in connection with the removal of the Collateral Manager and will be deemed not to be outstanding in connection with any such vote; *provided*, that any Offered Securities held by, or with respect to which discretionary voting rights are held by, the Collateral Manager and its affiliates or their respective employees will have voting rights with respect to all other matters as to which the holders of such Offered Securities are entitled to vote, including, without limitation, any vote in connection with the

appointment of a replacement collateral manager which is not affiliated with the Collateral Manager in accordance with the Collateral Management Agreement.

Any removal or resignation of the Collateral Manager while any of the Offered Securities are outstanding will be effective upon (i) the appointment by the Issuer, subject to approval of the holders of a majority of the aggregate outstanding principal amount of the Income Notes (including those Income Notes held by Kodiak CDO Management and its Affiliates), of an institution as replacement collateral manager which is not an Affiliate of the Collateral Manager; *provided*, that the holders of a majority in aggregate outstanding principal amount of any Class of Rated Notes do not disapprove such institution within 30 days of notice of such appointment and (a) such institution has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement, (b) such institution is legally qualified and has the capacity to act as successor to the Collateral Manager under the Collateral Management Agreement in the assumption of all of the responsibilities, duties and obligations of the Collateral Manager under the Collateral Management Agreement and under the terms of the Indenture applicable to the Collateral Manager and with respect to which the Rating Condition is satisfied, and (c) the appointment of such institution does not cause the Issuer or the pool of Collateral to become required to register as an investment company under the 1940 Act and (ii) written acceptance of appointment by such successor collateral manager. The Issuer shall use reasonable efforts to appoint a successor collateral manager to assume the duties and obligations of the removed or resigning collateral manager. Except as set forth below, any replacement collateral manager must be appointed by the Issuer, which shall give the Trustee notice of its recommendation. In the event that the Collateral Management Agreement will have been terminated pursuant to notice as described under the Collateral Management Agreement and neither the Issuer nor the Trustee shall have appointed a successor on or prior to (x) in the case of a termination of the Collateral Manager for Cause, the date that is 60 days following the date of the termination notice delivered in accordance with the Collateral Management Agreement and (y) in the case of any other termination of the Collateral Manager or the Collateral Management Agreement, the termination date specified in applicable termination notice, the Collateral Manager will be entitled to appoint a successor and will so appoint a successor within 60 days thereafter, subject to the requirements set forth in the first sentence of this paragraph and to the approval of such successor by the holders of a majority in aggregate outstanding principal amount of each Class of Notes. In lieu thereof, or, if the successor collateral manager appointed by the resigning or removed collateral manager is disapproved, the resigning or removed collateral manager may petition any court of competent jurisdiction for the appointment of a successor collateral manager, which appointment shall not require the consent of, nor be subject to the disapproval of, the Issuer or any holder of Notes. If no successor collateral manager is in place after 90 days, the holders of at least 66 2/3% in aggregate outstanding principal amount of the Notes of the Controlling Class shall have the right to appoint a successor collateral manager. No compensation payable to a successor from payments on the Collateral shall be greater than that paid to the Collateral Manager without the prior written consent of the holders of 66 2/3% in aggregate outstanding principal amount of the Notes of the Controlling Class. Upon expiration of the applicable notice period with respect to termination specified in the Collateral Management Agreement, and upon acceptance by a successor collateral manager of appointment, all authority and power of the Collateral Manager under the Collateral Management Agreement and the Indenture, whether with respect to the Collateral or otherwise, shall automatically and without further action by any person or entity pass to and be vested in the successor collateral manager upon the appointment thereof and the written acceptance thereof by such successor collateral manager.

Investment in Income Notes

The Collateral Manager has agreed pursuant to the Collateral Management Agreement that it and/or its Affiliates will maintain, in the aggregate, ownership of at least 30% of the initial principal amount of Income Notes until the earlier of (i) September 18, 2011, (ii) such time as no Class A-1 Notes

are outstanding, (iii) such time as Kodiak CDO Management is removed or resigns as Collateral Manager and such removal or resignation has become effective in accordance with the Collateral Management Agreement, (iv) such time as a "change of control" (as defined in the Collateral Management Agreement) shall occur with respect to the Collateral Manager (or binding agreements entered into in contemplation of a "change of control" are executed by the Collateral Manager) or (v) a change in applicable law, rule or regulation after the Closing date shall occur which prohibits the Collateral Manager and/or such Affiliate from owning at least 30% of the initial principal amount of the Income Notes.

Conflicts of Interest

The Collateral Management Agreement generally permits the Collateral Manager and any of its various affiliates (including affiliated broker-dealers, if any) to acquire or sell securities, for its own account or for the accounts of its customers, without either requiring or precluding the offering of such securities for the account of the Issuer. Unless expressly prohibited by the Collateral Management Agreement, the Collateral Manager may execute transactions in the Collateral Debt Securities and Eligible Investments and additional Collateral Debt Securities as part of concurrent authorizations to purchase the same security for its own account or other accounts served by the Collateral Manager if such aggregation shall not be disadvantageous to the Issuer in any material respect in the reasonable judgment of the Collateral Manager. An affiliate of the Collateral Manager has committed to purchase on the Closing Date approximately 63% of the Income Notes and 51% of the ordinary shares of the Issuer. The Collateral Manager and/or its affiliates may also purchase all or a portion of one or more Class of Notes and may in the future purchase additional Offered Securities of one or more Classes. See "Risk Factors—Certain Conflicts of Interest—Conflicts of Interest Involving the Collateral Manager."

Nothing in the Collateral Management Agreement will prevent the Collateral Manager or any of its affiliates from engaging in other businesses, or from rendering services of any kind to the Issuer, the Trustee, the holders of the Offered Securities or any of their respective affiliates or any other Person or entity. The Collateral Manager and any of its affiliates will be free, in its or their sole discretion, to make recommendations to others and to effect transactions on behalf of itself or for others, which may be the same as or different from those effected with respect to the Collateral. In addition, nothing in the Collateral Management Agreement will preclude the Collateral Manager or its affiliates from acting as principal, agent or fiduciary for other clients in connection with securities simultaneously held by the Issuer or of the type eligible for investment by the Issuer or limiting any relationships the Collateral Manager or any of its affiliates may have with any obligor of any Collateral Debt Security. Additionally, the Indenture places significant restrictions on the Collateral Manager's ability to buy and sell Collateral Debt Securities on behalf of the Issuer. Accordingly, during certain periods or in certain circumstances, the Collateral Manager may be unable to buy or sell securities or to take other actions that it might consider to be in the best interests of the Issuer or the holders of the Offered Securities, as a result of such restrictions. The Collateral Manager and any such Affiliate may sell any or all such securities. See "Risk Factors—Certain Conflicts of Interest—Conflicts of Interest Involving the Collateral Manager."

Compensation

On each Distribution Date, the Issuer will pay, subject to the Priority of Payments, to the Collateral Manager as compensation for the performance of its obligations under the Collateral Management Agreement, a fee, payable in arrears on each Distribution Date in an amount equal to 0.20% per annum of the Quarterly Asset Amount for such Due Period and subject to the Priority of Payments (such fee, the "Base Collateral Management Fee") and a Subordinate Collateral Management Fee, payable in arrears on each Distribution Date in an amount equal to 0.20% per annum of the Quarterly Asset Amount for such Due Period and subject to the Priority of Payments (such fee, the "Subordinate Collateral Management Fee" and, together with the Base Collateral Management Fee, the "Collateral Management Fee").

The Collateral Manager will receive from the Issuer on the Closing Date a structuring fee of approximately 0.50% of the aggregate principal balance of the Notes issued on the Closing Date.

If amounts distributable on any Distribution Date in accordance with the Priority of Payments are insufficient to pay the Collateral Management Fee in full, then a portion of the Collateral Management Fee equal to the shortfall will be deferred and will be payable on subsequent Distribution Dates on which funds are available therefor according to the Priority of Payments, and interest will accrue thereon at a rate of LIBOR plus 3.00% per annum. Any interest due on the unpaid Collateral Management Fee will thereupon constitute accrued and unpaid Collateral Management Fee.

CERTAIN INCOME TAX CONSIDERATIONS

NOTICE PURSUANT TO IRS CIRCULAR 230

THIS DISCUSSION IS NOT INTENDED OR WRITTEN BY THE ISSUER OR ITS COUNSEL TO BE USED, AND CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING TAX PENALTIES THAT MAY BE IMPOSED UNDER U.S. TAX LAWS. THIS DISCUSSION IS PROVIDED TO SUPPORT THE PROMOTION OR MARKETING BY THE ISSUER OF THE SECURITIES OFFERED HEREBY. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR CONCERNING THE POTENTIAL TAX CONSEQUENCES OF AN INVESTMENT IN THE SECURITIES.

The following summary describes the principal U.S. federal income tax and Cayman Islands tax consequences expected to be applicable to the purchase, ownership and disposition of the Offered Securities, but does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Offered Securities. In particular, special tax considerations that may apply to certain types of taxpayers, including securities dealers, banks, tax-exempt investors and insurance companies, partnerships and other pass-through entities, taxpayers having a "functional currency" other than the U.S. dollar, and subsequent purchasers of Offered Securities, are not addressed. In addition, this summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the U.S. federal government and the Cayman Islands. In general, the summary assumes that a holder acquires the Offered Securities at original issuance for the original offering price thereof and holds such Offered Securities as a capital asset and not as part of a hedge, straddle, conversion transaction or other integrated transaction.

This summary is based on the U.S. and Cayman Islands tax laws, regulations, rulings and decisions in effect or available on the date of this Offering Circular. All of the foregoing are subject to change, which change may apply retroactively and could affect the continued validity of this summary. If a partnership or other entity taxable as a partnership holds Offered Securities, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partners in partnerships holding Offered Securities should consult their tax advisors regarding the tax consequences of the ownership and disposition of the Offered Securities.

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

For purposes of this discussion, a "Holder" means a beneficial owner of an Offered Security. A "U.S. Holder" is a Holder that is, or is treated for U.S. federal income tax purposes as, (i) a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes), created or organized in or under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to United States federal income taxation regardless of its source. In addition, for purposes of this discussion, a "Non-U.S. Holder" is a nonresident alien individual or foreign corporation for U.S. federal income tax purposes.

U.S. Federal Tax Considerations

The Co-Issuers will be provided with an opinion of Mayer, Brown, Rowe & Maw LLP regarding certain U.S. Federal income tax matters discussed below. An opinion of Mayer, Brown, Rowe & Maw LLP, however, is not binding on the Internal Revenue Service (the "IRS") or the courts. Moreover, there are no cases or IRS rulings on similar transactions involving both debt and equity interests issued by an Issuer with terms similar to those of the Offered Securities. As a result, the IRS may disagree with all or a part of the discussion below. No ruling on any of the issues discussed below will be sought from the IRS.

U.S. Taxation of the Issuer

For U.S. federal income tax purposes, the Issuer, and not the Co-Issuer, will be treated as the Issuer of the Offered Securities.

Prior to the issuance of the Offered Securities, the Issuer will receive an opinion from Mayer, Brown, Rowe & Maw LLP, special U.S. federal tax counsel to the Issuer, to the effect that, in its judgment, although the transaction described herein has not been the subject of any U.S. Treasury regulation, revenue ruling or judicial decision and involves facts differing in some respects from other offerings of collateralized debt securities, and although the matter is not free from doubt, the Issuer will not be treated as engaged in the conduct of a United States trade or business and, consequently, the Issuer's profits will not be subject to United States Federal income tax on a net income basis (including the branch profits tax). The opinion is based on the assumption that the Issuer and other transaction parties will comply with the terms of the Indenture, the Collateral Management Agreement and the other transaction documents, as well as the accuracy of certain assumptions (including as to the accuracy of any other opinions relied upon by the Issuer in connection with its acquisition of Collateral Debt Securities) and certain representations and agreements of such parties. The opinion represents only special tax counsel's professional judgment, and is not binding on the Internal Revenue Service. There can be no assurance that the Internal Revenue Service would not assert a contrary position.

If, notwithstanding special tax counsel's opinion, it were 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 U.S. Internal Revenue Code to the regular corporate income tax on such effectively connected taxable income and to the 30% branch profits tax as well. Such taxes would reduce the amounts available to make payments on the Offered Securities. There can be no assurance that in such circumstance remaining payments on the Collateral Debt Securities would be sufficient to make timely payments of interest on, and payment of principal at the applicable Stated Maturity of, the Rated Notes (including the Class H Note Component of the Combination Notes) or to make any distributions of dividends or amounts in redemption of the Income Notes (including the Income Note Component of the Combination Notes). In addition, interest paid on the Rated Notes and distributions paid with respect to the Income Notes to a holder that is not a U.S. Holder could in such circumstance be subject to a 30% United States withholding tax.

Investors should note that the relevant law is subject to change and modification after the date the foregoing opinion is rendered. For example, the Treasury and the IRS recently announced that they are considering taxpayer requests for specific guidance on, among other things, whether a foreign person may be treated as engaged in a trade or business in the United States by virtue of entering into credit default swaps. Any future guidance issued by the Treasury and/or the IRS may have a material adverse impact on the tax treatment of the Issuer.

U.S. Withholding Tax

Although a limited amount of Collateral Debt Securities not to exceed 20% of the aggregate Principal Balance of Collateral Debt Securities as of the Ramp-Up Completion Date may not have been issued with opinions rendered to such effect, the Issuer reasonably believes that for U.S. federal income tax purposes, (i) the Corresponding Debentures will be treated as indebtedness, (ii) each Trust Preferred Securities Issuer will be treated as a grantor trust and, accordingly, the Issuer generally will be considered the owner of a *pro rata* undivided interest in the Corresponding Debentures and (iii) the CMBS, Senior Notes and Subordinated Notes will be treated as indebtedness. Generally, U.S. source interest income received by a foreign corporation not engaged in a trade or business within the United States is subject to U.S. withholding tax at the rate of 30% of the amount thereof. However, the Code provides an exception for interest that constitutes "portfolio interest" that is exempt from withholding tax. The term "portfolio interest" is generally defined as interest paid with respect to debt issued after July 18, 1984, unless the interest is paid to a 10% stockholder of the payor, to a controlled foreign corporation related to the payor, or to a bank with respect to a loan entered into in the ordinary course of its business. For purposes of applying the 10% stockholder and related controlled foreign corporation rules, certain constructive ownership rules contained in the Code apply. The Issuer believes that the Collateral Debt Securities do not violate these rules. Furthermore, the Issuer believes that all of the purchased Collateral Debt Securities of U.S. issuers will pay interest qualifying as "portfolio interest" for which withholding is not otherwise applicable. Accordingly, the Issuer does not expect that payments on the Collateral Debt Securities securing the Notes will be subject to the imposition of U.S. withholding tax. There can be no assurance that the Issuer will not become subject to such withholding as a result of a change in or the adoption of a tax statute, or any change in or the issuance of a regulation or equivalent authority or otherwise. In addition, if any of the Corresponding Debentures, Senior Notes, Subordinated Notes or CMBS do not constitute debt for U.S. federal income tax purposes, payments on such securities would be expected to be subject to material amounts of U.S. withholding tax and could possibly subject the Issuer and/or U.S. Holders of Income Notes to other adverse U.S. tax consequences. In the event of imposition of such withholding, it is generally anticipated that the related obligors would not be required to pay any compensating gross-up payments, unless, in the case of Trust Preferred Securities, such imposition of withholding tax results from a change in law. Any change, adoption or issuance of tax law affecting withholding tax on payments on the Collateral Debt Securities or determination of the non-debt status of the Corresponding Debentures, Senior Notes, Subordinated Notes or CMBS, as the case may be, could result in the occurrence of a Tax Event under the Indenture pursuant to which the Notes may be redeemed in whole but not in part, at the applicable redemption price set forth herein, at the direction of the Holders of a majority of the aggregate outstanding principal amount of either the Income Notes or the Affected Class of Notes as described under "Description of the Rated Notes—Optional Redemption and Tax Redemption."

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

In the opinion of Mayer, Brown, Rowe & Maw, LLP, special counsel to the Issuer, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes will be treated as debt for U.S. federal income tax purposes and the Class H Notes should be treated as debt for U.S. federal income tax purposes. The Issuer will treat the Rated Notes as debt for U.S. federal income tax purposes, and each U.S. Holder is required to follow such treatment for

U.S. federal income tax purposes unless it discloses a contrary position on its tax return. The following discussion is based on the rules governing original issue discount ("OID") that are set forth in Sections 1271-1273 and 1275 of the Code and in Treasury regulations issued thereunder. These regulations, however, do not adequately address certain issues relevant to securities such as the Rated Notes.

Taxation of Interest Income

Stated interest on the Rated Notes that is considered "unconditionally payable" (as described below) will be includible in income by a U.S. Holder when received or accrued in accordance with such Holder's method of tax accounting.

If the "issue price" of any Rated Note (i.e., the first price at which a substantial amount of the Rated Notes of each Class is sold to investors) is less than the "stated redemption price at maturity" ("SRPM") of such Rated Note, the excess of the SRPM over the issue price may constitute OID. Under a *de minimis* rule, if the excess of the SRPM of such Rated Note over its issue price is less than one fourth of one percent of the SRPM multiplied by the weighted average maturity determined under applicable Treasury regulations of such Rated Note, such Rated Note will not be treated as issued with OID. If any Rated Notes are in fact issued at a greater than *de minimis* discount or are otherwise treated as having been issued with OID, the excess of the SRPM of such Rated Note over their issue price will constitute OID. Under the Code, U.S. Holders of such Rated Notes would be required to include the daily portions of OID, if any, in income as interest over the term of such Rated Notes under a constant yield method that reflects the time value of money, regardless of such U.S. Holder's method of accounting and without regard to the timing of actual payments. Treasury regulations applicable to debt instruments issued with OID do not provide rules for accruals of OID on debt instruments the payments on which are contingent as to time, such as the Rated Notes. In the absence of definitive guidance, any OID will be reported using a prepayment assumption (as described in more detail with respect to the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes in the second succeeding paragraph below).

Treasury regulations provide, for purposes of determining whether a debt instrument is issued with OID, that stated interest must be included in the SRPM of the debt instrument if such interest is not "unconditionally payable." Interest is considered "unconditionally payable" if reasonable legal remedies exist to compel timely payment or terms and conditions of the debt instrument make the likelihood of late payment (other than late payment that occurs within a reasonable grace period) or nonpayment (ignoring the possibility of nonpayment due to default, insolvency or similar circumstances) a remote contingency. The Issuer intends, pursuant to its interpretation of the foregoing rules, to take the position that payments of interest on the Class A Notes and the Class B Notes are considered unconditionally payable, and thus not included in the SRPM of such Rated Notes and should be treated as "qualified stated interest." However, because interest on the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes is subject to deferral (and the possibility of deferral may not be remote), the Issuer will take the position that payments of stated interest on the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes should be included in the SRPM and the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes should be treated as issued with OID.

If the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes are issued at an issue price equal to their principal amount, the Issuer intends not to calculate OID under the PAC method referred to below, and instead to take the position that the amount of OID that accrued on such Rated Notes in each accrual period is equal to the amount of interest (including any Class C Deferred Interest, Class D Deferred Interest, Class E Deferred Interest, Class F Deferred Interest, Class G Deferred Interest and Class H Deferred Interest) that accrues on such Rated Notes during such period. Unless the Class C Notes, Class D Notes, the Class E Notes, the Class F Notes,

the Class G Notes and the Class H Notes are issued at an issue price equal to their principal amount, the Issuer intends, absent definitive guidance, to treat the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes as subject to an income accrual method analogous to the methods applicable to debt instruments having payments that are subject to acceleration (prescribed by Section 1272(a)(6) of the Code) using an assumption as to the expected prepayments on the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes (the "PAC Method"), which assumption will be reflected on a projected payment schedule prepared by the Issuer. The projected payment schedule will be utilized solely to determine the amount of OID to be included in income annually by U.S. Holders of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes. As such, the calculation of the projected payment schedule would be based on a number of assumptions and estimates and is not a prediction of the actual amounts of payments on the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes or of the actual yield of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes. In any case, however, the Issuer's determination would not be binding on the IRS.

Sale or Disposition of Rated Notes

In general, a U.S. Holder of a Rated Note will have an adjusted tax basis in such Rated Note equal to the cost of the Rated Note to such U.S. Holder, increased by any amount previously included in income by such U.S. Holder as OID and reduced by any payments of principal of or interest on its Rated Note (other than payments of qualified stated interest that are not required to be included in the SRPM of such Rated Note).

Upon the sale, exchange, redemption or retirement of a Rated Note, a U.S. Holder will recognize taxable gain or loss, if any, generally equal to the difference between the amount realized on the sale, exchange, redemption or retirement (other than accrued qualified stated interest that was not required to be included in the SRPM of such Rated Note, which interest will, if not previously included in income, be treated as interest paid on the Rated Note) and such U.S. Holder's adjusted tax basis in such Rated Note. Any such gain or loss will generally be long-term capital gain or loss *provided* that such Rated Note was a capital asset in the hands of the U.S. Holder and had been held for the requisite period. In certain circumstances, U.S. Holders that are not corporations may be entitled to preferential treatment for net long-term capital gains; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

Tax Treatment of Combination Notes

Although each Combination Note will be evidenced as a single instrument, under U.S. federal income tax principles, a strong likelihood exists that a U.S. Holder of Combination Notes will be treated as if it directly owned the Class H Notes and the Income Notes corresponding to the Note Components of such Combination Notes, as applicable. The Issuer, and each U.S. Holder of a Combination Note, by acquiring such Combination Note or an interest therein, will agree to treat the Combination Note as consisting of the Class H Notes and the Income Notes corresponding to the Note Components of such Combination Note, as applicable, for U.S. federal income tax purposes. In accordance with such treatment of Combination Notes, in calculating its tax basis in each of the Note Components comprising a Combination Note, a U.S. Holder will allocate the purchase price paid for such Combination Note among the Note Components in proportion to their relative fair market values at the time of purchase. A similar principle will apply in determining the amount allocable to each Note Component upon a sale, exchange, redemption or retirement of a Combination Note. The exchange of a Combination Note for the Class H Notes and the Income Notes corresponding to each Note Component, as applicable, should not be a taxable event. A U.S. Holder of a Combination Note should review the applicable discussion above and

below relating to the U.S. federal income tax consequences of the purchase, ownership and disposition of such Class H Notes and Income Notes.

Tax Treatment of U.S. Holders of Income Notes

Under U.S. federal income tax principles, the Income Notes will be treated as equity of the Issuer for U.S. federal income tax purposes. The Issuer will treat, and each holder of Income Notes will agree by the purchase of such Income Notes, to treat the Income Notes as equity for U.S. federal income tax purposes.

Passive Foreign Investment Company Rules. The Issuer will constitute a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes, and the Income Notes will be subject to treatment as equity in a PFIC. In general, a U.S. Holder may desire to make an election to treat the Issuer as a "qualified electing fund" ("QEF") with respect to such U.S. Holder in order to avoid the application of certain potentially adverse U.S. tax rules (discussed below) applicable to ownership of PFIC equity by U.S. persons. Generally, a QEF election should be made with the filing of a U.S. Holder's federal income tax return for the first taxable year for which it holds Income Notes. If a timely QEF election is made, an electing U.S. Holder would be required to include in gross income such U.S. Holder's *pro rata* share of the Issuer's ordinary earnings, and as long-term capital gain such U.S. Holder's *pro rata* share of the Issuer's net capital gain, if any, whether or not distributed, assuming that the Issuer does not constitute a "controlled foreign corporation" with respect to which the U.S. Holder is treated as a "U.S. Shareholder" as discussed further below. Thus, an electing U.S. Holder of Income Notes may recognize income in a taxable year in amounts significantly greater than the distributions received from the Issuer on such Income Notes in such taxable year, particularly because payment of interest on certain Collateral Debt Securities held by the Issuer may be deferred. (The Issuer is required to periodically include such deferred interest in income even though the Issuer will not receive cash attributable to such interest until later periods.) In certain cases in which a QEF does not distribute all of its earnings in a taxable year, U.S. Holders may also be permitted to 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. The Issuer will provide, upon request, all information and documentation that a U.S. Holder (including an indirect U.S. Holder as described below in "—U.S. Taxation of Non-U.S. Holders—Non-U.S. Holder that is a Passive Foreign Investment Company") making a QEF election is required to obtain for U.S. federal income tax purposes (e.g., the U.S. Holder's *pro rata* share of ordinary income and net capital gain, and a "PFIC Annual Information Statement," as described in Treasury regulations).

If a U.S. Holder does not make a timely QEF election, a U.S. Holder that has held Income Notes would generally be required to report under the PFIC rules any gain on disposition of any such securities (including any deemed disposition resulting from the use of such securities as security for a loan) as ordinary income rather than capital gain and to compute the tax liability on such gain and certain "excess" distributions as if the items had been earned ratably over each day in the U.S. Holder's holding period for the securities and would be subject to the highest ordinary income tax rate for each taxable year (other than the current year of the U.S. Holder) in which the items were treated as having been earned, regardless of the rate otherwise applicable to the U.S. Holder. Such U.S. Holder would also be liable for an additional tax equal to an interest charge on the tax liability attributable to income that is treated as allocated to prior years as if such liability had actually been due in each such prior year. In addition, the Issuer may not receive an opinion from special counsel to the issuer of one or more Collateral Debt Securities to the effect that such Collateral Debt Security will be indebtedness for U.S. federal income tax purposes. In the event that any Collateral Debt Security represents an equity interest in a PFIC, a U.S. Holder of Income Notes will generally be subject to such adverse consequences with respect to any "excess" distributions received by the Issuer in respect of such Collateral Debt Security and gains on disposition of such Collateral Debt Security realized by the Issuer, and whether or not any cash representing such distributions or gains is distributed to the U.S. Holder in respect of the Income Notes.

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

Controlled Foreign Corporation Rules. The Issuer initially will be classified as a controlled foreign corporation (a "CFC"). In general, a foreign corporation will constitute a CFC if more than 50% of the shares of the corporation, measured by reference to combined voting power or value, is held, directly or indirectly, by U.S. Shareholders. A "U.S. Shareholder" for this purpose is any U.S. person who owns, actually or constructively, 10% or more of the combined voting power of all classes of shares of a corporation. It is possible that the IRS would assert that the Income Notes are *de facto* voting securities and that U.S. Holders owning, actually or constructively, 10% or more of the aggregate outstanding principal amount of such Income Notes are U.S. Shareholders. If this argument were successful and more than 50% of the Income Notes (determined with respect to aggregate value or aggregate outstanding principal amount) are held (actually or constructively) by such U.S. Shareholders, the Issuer would be treated as a CFC. In such circumstances, any holder of Income Notes would be required to include income in respect of the Income Notes under the CFC rules rather than the rules described above.

If the Issuer were a CFC, a U.S. Shareholder of the Issuer will be required, subject to certain exceptions, to include in gross income at the end of the taxable year of the Issuer an amount equal to that person's *pro rata* share of the "subpart F income" and certain U.S. source income of the Issuer. Among other items, and subject to certain exceptions, "subpart F income" includes interest, gains from the sale of securities, and income from certain transactions with related parties. It is likely that, if the Issuer were to constitute a CFC, all or substantially all of its income would be subpart F income.

If the Issuer were treated as a CFC for the period during which a U.S. Holder of Income Notes is a U.S. Shareholder of the Issuer, such U.S. Holder would be taxable on the subpart F income of the Issuer under rules described in the preceding paragraph and not under the PFIC rules previously described. As a result, to the extent subpart F income of the Issuer includes net capital gains, such gains would be treated as ordinary income of the U.S. Shareholder under the CFC rules, notwithstanding the fact that the character of such gains generally would otherwise be preserved under the PFIC rules if a QEF election were made. In addition, the PFIC rule permitting the deferral of tax on undistributed earnings would not apply.

In general, a U.S. Holder that is not initially a U.S. Shareholder and that does not elect to treat the Issuer as a QEF but that subsequently becomes a U.S. Shareholder (*e.g.*, as a result of increased overall ownership of Income Notes by U.S. Holders or an increase in the Holder's own security holdings) and therefore becomes subject to the CFC inclusion rules as described above, would nevertheless also be required to treat the Issuer as a PFIC that was not a QEF. In such case, for purposes of applying the deemed interest charge rules described above, the U.S. Holder would continue to treat the date on which it acquired the Income Notes as the date on which its holding period began. If, however, the U.S. Holder had made the QEF election before becoming a U.S. Shareholder, such U.S. Holder would be treated as acquiring an interest in a QEF on the day following any later day on which it ceased to be a U.S. Shareholder but remained a U.S. Holder *(e.g.*, if the Holder disposes of some but not all of its Income Notes, or changes in the overall ownership of Income Notes by U.S. Holders result in termination of the Issuer's status as a CFC).

Similarly, if a U.S. Holder of Income Notes constitutes a U.S. Shareholder at issuance but subsequently ceases to be a U.S. Shareholder while continuing to hold such Income Notes (*e.g.*, as a result of changes in the Holder's ownership of Income Notes or in the status of the Issuer, as described above), then such U.S. Holder will be treated as acquiring an interest in a PFIC as of the day following the date of cessation of the U.S. Holder's status as a U.S. Shareholder. Because such Income Notes would thereafter

be treated as equity in a PFIC, if there was no QEF election in effect with respect to the U.S. Holder's taxable year that includes the date of cessation of its status as a U.S. Shareholder, the U.S. Holder would become subject to the adverse rules applicable to non-QEF PFICs described above.

The CFC rules discussed above would similarly apply to a U.S. Holder of Income Notes with respect to any Collateral Debt Security in the event that such Collateral Debt Security is treated as an equity interest in a CFC and, pursuant to certain attribution rules, the U.S. Holder's ownership of Income Notes caused it to be treated as a U.S. Shareholder of the Issuer of such Collateral Debt Security. Such treatment would apply regardless of whether the Issuer received any distributions on such Collateral Debt Security or distributed any such distributions in respect of the Income Notes.

Distributions on the Income Notes. The treatment of actual distributions of cash on Income Notes, in very general terms, will vary depending on whether a U.S. Holder has made a timely QEF election as described above. See "—Passive Foreign Investment Company Rules" above. If a timely QEF election has been made, dividends, which are distributions up to the amount of current and accumulated earnings and profits of the Issuer, should be allocated first to amounts previously taxed pursuant to the QEF election and to this extent would not be taxable to U.S. Holders. Distributions in excess of such previously taxed amounts will be taxable to U.S. Holders as ordinary income upon receipt, to the extent of any remaining amounts of untaxed current and accumulated earnings and profits of the Issuer. Distributions in excess of previously taxed amounts and any remaining current and accumulated earnings and profits will be treated first as a nontaxable return of capital, to the extent of the Holder's tax basis in the Income Notes, and then as capital gain.

In the event that a U.S. Holder does not make a timely QEF election, some or all of any distributions with respect to the Income Notes may constitute "excess" distributions, taxable as previously described. See "—Passive Foreign Investment Company Rules" above.

The above-described consequences may vary materially for a particular U.S. Holder to the extent the CFC rules have been or are applicable.

Dividends and/or distributions on the Income Notes will not be eligible for either the dividends-received deduction for corporations or the reduced tax rate on qualified dividends available to certain non-corporate shareholders.

Sale, Redemption or Other Disposition of the Income Notes. In general, and subject to the discussion below regarding U.S. Holders that do not elect to make a timely QEF election, a U.S. Holder of Income Notes will recognize gain or loss upon the sale, exchange, redemption or retirement of such Income Notes equal to the difference between the amount realized and such Holder's adjusted tax basis in the Income Notes. Such gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Income Notes for the requisite holding period at the time of the disposition.

The tax basis of a U.S. Holder will generally equal the amount it paid for its Income Note, increased by amounts taxable to such holder by virtue of a QEF election, and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or represent a return of capital.

If a U.S. Holder does not make a timely QEF election as described above, any gain realized on the disposition of an Income Note (or any gain deemed to accrue prior to the time a non-timely QEF election is made) will be treated as an excess distribution, taxed as ordinary income and subject to an additional tax reflecting a deemed interest charge under the special tax rules described above. See "—Passive Foreign Investment Company Rules" above.

The above-described consequences may vary materially for a particular U.S. Holder to the extent the CFC rules have been or are applicable. As a result of this and other uncertainties regarding the U.S. federal income tax consequences to U.S. Holders of Income Notes and the complexity of the foregoing rules, each U.S. Holder is urged to consult its own tax advisor regarding the U.S. federal income tax consequences of the U.S. Holder's investment in the Income Notes.

U.S. Taxation of Non-U.S. Holders

In general, payments on the Offered Securities (regardless of whether such Offered Securities are debt or equity) to a Non-U.S. Holder, and gain realized on the sale, exchange or redemption of the Offered Securities by such Non-U.S. Holder, will not be subject to U.S. federal income or withholding tax, as the case may be, unless such income is effectively connected with a trade or business conducted by such Non-U.S. Holder in the United States or, in the case of gain, such Non-U.S. Holder is a nonresident alien individual who holds the Offered Securities as a capital asset and who is present in the United States for 183 days or more during the taxable year of the sale and certain other conditions are satisfied. However, if as discussed above, it were determined that the Issuer was engaged in a U.S. trade or business and has taxable income that is effectively connected with such U.S. trade or business, interest on the Notes and distributions on the Income Notes paid to a Non-U.S. Holder could be subject to a 30% U.S. withholding tax.

Non-U.S. Holder that is a Passive Foreign Investment Company. As described above in "—Tax Treatment of U.S. Holders of Income Notes—Passive Foreign Investment Company Rules," the Issuer will be considered a PFIC and the Income Notes will constitute equity in a PFIC for U.S. federal income tax purposes. Accordingly, in the case of Income Notes held by a foreign corporation that itself constitutes a PFIC for U.S. federal income tax purposes, any United States person that is a holder of an interest in such corporation that constitutes equity for U.S. federal income tax purposes will be considered an indirect holder of PFIC equity under the PFIC rules (an "indirect U.S. Holder"). If such indirect U.S. Holder has made an election to treat the foreign corporation directly holding such Income Notes as a QEF, that election would not apply to its indirect interest in the Income Notes unless a separate election is made to treat the Issuer as a QEF, as described in the PFIC discussion referenced above. Such a foreign corporation investing in Income Notes should consider advising each United States person that holds an interest in it that constitutes equity for U.S. federal income tax purposes to consult with such person's tax advisor about the possibility of making a QEF election with respect to the Issuer.

Withholding, Information Reporting and Related Matters

Information reporting to the IRS generally will be required with respect to payments of principal and interest (including any OID), as well as distributions, on the Offered Securities and proceeds of the sale of the Offered Securities to Holders other than corporations and other exempt recipients. A "backup" withholding tax at rates prescribed below will generally apply to those payments if such Holder fails to provide certain identifying information (such as such Holder's taxpayer identification number) to the Trustee. 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.

The current backup withholding rate of 28% applies to payments made through the year 2010. For payments made after the taxable year of 2010, the backup withholding rate will be increased to 31%.

Transfer Reporting Requirements

A U.S. Holder (including a U.S. tax-exempt entity) that acquires equity of a non-U.S. corporation (such as the Income Notes) at issuance will be required to file a Form 926 or a similar form with the IRS.

In the event that a U.S. Holder fails to file any such required form, the U.S. Holder could be subject to a penalty (generally up to a maximum of U.S.$100,000), computed in the amount of 10% of the fair market value of the Income Notes purchased by such U.S. Holder.

Special Considerations for Tax-Exempt U.S. Holders

Special considerations apply to pension plans and other investors that are subject to tax only on their unrelated business taxable income ("UBTI"). A tax-exempt U.S. Holder's interest and dividend income and gain on the Offered Securities generally would not be treated as UBTI provided such U.S. Holder's investment in the Offered Securities is not debt-financed. However, a tax-exempt U.S. Holder that owns more than 50% of the Income Notes and also owns Notes should consider the possible application of the special UBTI rules for interest received from controlled entities. Each prospective tax-exempt U.S. Holder should consult its own tax advisor regarding the tax consequences of its investment in the Offered Securities.

Disclosure Requirements for U.S. Holders Recognizing Significant Losses and for Certain Holders of the Income Notes

Any U.S. Holder of Offered Securities that claims significant losses in respect of such Offered Securities (generally U.S.$2 million or more for individuals and partnerships with one or more non-corporate partners, and U.S.$10 million or more for corporations and partnerships consisting solely of corporate partners) on a gross basis in any taxable year may be required to report such transactions on IRS Form 8886. In addition, a U.S. Holder of 10% of the Income Notes could be subject to these disclosure requirements if the Issuer recognizes losses of U.S.$10 million or more with respect to a transaction or enters into a transaction that is offered under conditions of confidentiality in any taxable year. Should the Issuer become aware that a U.S. Holder's investment in Income Notes has become such a "reportable transaction," the Issuer will so inform the holders of Income Notes receiving "PFIC Annual Information Statements" as described above in "—Passive Foreign Investment Company Rules" and provide, or cause its accountants to provide, all information available to it which is necessary for such Holders to comply with these disclosure requirements. Prospective investors should consult their tax advisers concerning any possible disclosure obligation with respect to the Offered Securities.

Cayman Islands Tax Considerations

Under existing Cayman Islands laws:

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

(ii) certificates evidencing the Offered Securities, in registered form, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty; *provided*, that the relevant certificate constitutes evidence of entitlement only and does not constitute a promissory note. However, an instrument transferring title to a Note or a Note which constitutes a promissory note, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

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

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

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

KODIAK CDO I, LTD. (the "Company")

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

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

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

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

These concessions shall be for a period of TWENTY years from the 18th day of July 2006.

Governor In Cabinet

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

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

CERTAIN ERISA CONSIDERATIONS

Section 406 of ERISA and Section 4975 of the Code prohibit a pension, profit-sharing or other employee benefit plan, as well as individual retirement accounts and specified types of Keogh plans, in each case subject to ERISA or Section 4975 of the Code and collective investment funds, insurance company general or separate accounts or certain entities in which these plans and accounts are invested (each of the foregoing, a "Plan") from engaging in specified transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under Section 4975 of the Code with respect to that Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for these persons or the fiduciaries of the Plan. In addition, Title I of ERISA also requires fiduciaries of a Plan subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) are not subject to ERISA requirements.

However, state laws or regulations governing the investment and management of the assets of such plans may contain fiduciary and prohibited transaction requirements similar to those under ERISA and Section 4975 of the Code discussed below.

Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes and Class G Notes

Certain transactions involving the Co-Issuers might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code with respect to a Plan that purchased Rated Notes (other than Class H Notes) if assets of the Co-Issuers were deemed to be assets of the Plan. Under a regulation issued by the United States Department of Labor (the "Plan Asset Regulation"), the assets of the Co-Issuers would be treated as plan assets of a Plan for the purposes of ERISA and Section 4975 of the Code only if the Plan acquired an "equity interest" in the Co-Issuers and none of the exceptions to plan assets contained in the Plan Asset Regulation were applicable. An equity interest is defined under the Plan Asset Regulation as an interest other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little guidance on the subject, assuming the Rated Notes (other than Class H Notes) constitute debt for local law purposes, the Co-Issuers believe that, at the time of their issuance, the Rated Notes (other than Class H Notes) should not be treated as an equity interest in the Co-Issuers for purposes of the Plan Asset Regulation. This determination is based in part upon the traditional debt features of the Rated Notes (other than Class H Notes), including the reasonable expectation of purchasers of Rated Notes (other than Class H Notes) that such Notes will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. The debt treatment of the Rated Notes (other than Class H Notes) for ERISA purposes could change if the Co-Issuers incur losses. This risk of recharacterization is enhanced for the Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes and Class G Notes because they are subordinated to the Class A Notes.

However, without regard to whether the Rated Notes (other than Class H Notes) are treated as an equity interest for purposes of the Plan Asset Regulation, the acquisition or holding of Rated Notes (other than Class H Notes) by or on behalf of a Plan could be considered to give rise to a prohibited transaction if the Co-Issuers, the Trustee, the Collateral Manager, the Hedge Counterparty, the Placement Agents or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Plan. Certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Rated Notes (other than Class H Notes) by a Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire such Notes and the relationship of the party in interest or disqualified person to the Plan. Included among these exemptions are: Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by "in-house asset managers"; PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." In addition, the Pension Protection Act of 2006 provides a statutory exemption under Section 408(b)(17) of ERISA for prohibited transactions between a Plan and a person or entity that is a party in interest to such Plan solely by reason of providing services to the Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Plan involved in the transaction), provided that there is adequate consideration for the transaction. Even if the conditions specified in one or more of the prohibited transaction class exemptions or the statutory exemption are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Rated Notes and prospective purchasers that are Plans should consult with their advisors regarding the applicability of any such exemption.

EACH PURCHASER AND TRANSFEREE OF A CLASS A NOTE, CLASS B NOTE, CLASS C NOTE, CLASS D NOTE, CLASS E NOTE, CLASS F NOTE OR CLASS G NOTE (OR AN INTEREST IN ANY OF THE FOREGOING) WILL BE DEEMED TO REPRESENT AND WARRANT EITHER THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE ACTING ON BEHALF OF), AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF ERISA, WHICH IS SUBJECT TO TITLE I OF ERISA, A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE CODE, AN ENTITY WHICH IS DEEMED TO HOLD PLAN ASSETS OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN EMPLOYEE BENEFIT PLAN OR PLAN IN SUCH ENTITY OR A FOREIGN, CHURCH OR GOVERNMENTAL PLAN WHICH IS SUBJECT TO ANY APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE, OWNERSHIP AND DISPOSITION OF SUCH NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A FOREIGN, CHURCH OR GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

Class H Notes

Because of the possibility that the Class H Notes will be treated as an equity interest in the Issuer for purposes of the Plan Asset Regulation, the Class H Notes will not be available for purchase by Benefit Plan Investors (as defined below).

EACH PURCHASER AND TRANSFEREE OF A CLASS H NOTE (OR AN INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE ACTING ON BEHALF OF), A BENEFIT PLAN INVESTOR.

EACH PURCHASER AND TRANSFEREE OF A CLASS H NOTE (OR AN INTEREST THEREIN) THAT IS A FOREIGN, CHURCH OR GOVERNMENTAL PLAN WILL BE DEEMED TO REPRESENT AND WARRANT THAT ITS ACQUISITION, HOLDING AND DISPOSITION OF THE CLASS H NOTE (OR INTEREST THEREIN) WILL NOT RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER, OR A VIOLATION OF, ANY APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO ERISA OR SECTION 4975 OF THE CODE.

Combination Notes

Because of the possibility that the Combination Notes will be treated as an equity interest in the Issuer for purposes of the Plan Asset Regulation, the Combination Notes will not be available for purchase by Benefit Plan Investors or Controlling Persons (as defined below).

EACH PURCHASER AND TRANSFEREE OF A COMBINATION NOTE (OR AN INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE ACTING ON BEHALF OF), A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON.

EACH PURCHASER AND TRANSFEREE OF A COMBINATION NOTE (OR AN INTEREST THEREIN) THAT IS A FOREIGN, CHURCH OR GOVERNMENTAL PLAN WILL BE DEEMED TO REPRESENT AND WARRANT THAT ITS ACQUISITION, HOLDING AND DISPOSITION OF THE COMBINATION NOTE (OR INTEREST THEREIN) WILL NOT RESULT IN

A NONEXEMPT PROHIBITED TRANSACTION UNDER, OR A VIOLATION OF, ANY APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO ERISA OR SECTION 4975 OF THE CODE.

Income Notes

The fiduciary and prohibited transaction provisions of Sections 404 and 406 of ERISA, and the corresponding provisions of Section 4975 of the Code, may affect the business and operations of the Issuer and may impose limitations on the purchase of Income Notes by Plans.

Fiduciaries of Plans, in consultation with their advisors, should consider the impact of ERISA and the regulations issued thereunder on a purchase of Income Notes. Among other considerations, the fiduciary of a Plan should take into account the composition of the Plan's portfolio with respect to diversification by type of asset; the cash flow needs of the Plan and the effects thereon of the liquidity of the investment; the Plan's funding objectives; the tax effects of the investment and the tax and other risks described in "Certain Income Tax Considerations" and "Risk Factors"; the fact that the holders of Income Notes will consist of a diverse group of investors and that the management of the Issuer will not take the particular objectives of any investor or class of investors into account; the fact the Issuer is not intended to hold plan assets of any of the investors and, therefore, that neither the Issuer nor any of its affiliates, agents or employees will be acting as a fiduciary under ERISA to the Plan, either with respect to the Plan's purchase or retention of its investment or with respect to the management and operation of the business and assets of the Issuer.

In addition, fiduciaries of Plans should also consider whether an investment in the Issuer could involve a direct or indirect prohibited transaction under ERISA or Section 4975 of the Code, with a "party in interest" or "disqualified person" with respect to such Plan, or a prohibited conflict of interest for the fiduciary acting on behalf of the Plan. A prohibited transaction or conflict of interest could arise if the fiduciary acting on behalf of the Plan has any interest in or affiliation with the Issuer, the Collateral Manager or the Placement Agents or any of their respective affiliates. In the case of an individual retirement account ("IRA"), a prohibited transaction or conflict of interest that involves the beneficiary of the IRA could result in disqualification of the IRA.

If the Issuer is deemed to hold plan assets of the investors that are Plans, any transaction the Issuer enters into would be deemed to be a transaction with each Plan investor. Such treatment could generally prohibit the Issuer from entering into transactions (such as acquisitions, sales, financings or brokerage transactions) with parties in interest or disqualified persons to any Plan investor. If the Issuer were subject to ERISA, certain aspects of the structure and terms of the Issuer may also violate ERISA. Under the Plan Asset Regulation, a Plan's assets would be deemed to include an undivided interest in each of the underlying assets of the Issuer unless investment in the Issuer by "Benefit Plan Investors" (as defined below) is not "significant," or if other exceptions, not here relevant, apply.

For the purpose of the Plan Asset Regulation and Section 3(42) of ERISA, the term "Benefit Plan Investors" includes an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, a "plan" described in Section 4975(e)(1) of the Code or an entity which is deemed to hold plan assets of any of the foregoing by reason of investment by an employee benefit plan or plan in such entity (including, without limitation, certain insurance company general accounts). Investment by Benefit Plan Investors would not be significant for purposes of the Plan Asset Regulation if less than 25% of the total value of the Income Notes (including the Income Note Component of any Combination Note) and any other equity interests in the Issuer (excluding the interests of the Collateral Manager and any other person who has discretionary authority or control, or provides investment advice for a fee (direct or

indirect) with respect to the assets of the Issuer, and affiliates of any of the foregoing persons (each, a "Controlling Person"), other than Benefit Plan Investors) is held by Benefit Plan Investors.

The transfer restrictions described herein pertaining to ERISA are intended to limit the purchase of Income Notes by Benefit Plan Investors so that participation by such investors is not significant within the meaning of the Plan Asset Regulation and Section 3(42) of ERISA.

THE ACQUISITION BY AN INITIAL PURCHASER OF AN INCOME NOTE (OR AN INTEREST THEREIN) BY, OR ON BEHALF OF, OR WITH THE ASSETS OF (A) A BENEFIT PLAN INVESTOR OR (B) A CONTROLLING PERSON WILL NOT BE EFFECTIVE, AND THE ISSUER WILL NOT RECOGNIZE SUCH ACQUISITION, IF SUCH ACQUISITION WOULD RESULT IN (A) BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE TOTAL VALUE OF THE INCOME NOTES (INCLUDING THE INCOME NOTE COMPONENT OF ANY COMBINATION NOTE) (IN EACH CASE DETERMINED PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AND SECTION 3(42) OF ERISA) OR (B) A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE.

NO TRANSFEREE OF AN INCOME NOTE MAY BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH INITIAL PURCHASER OF AN INCOME NOTE (OR AN INTEREST THEREIN) REPRESENTS, WARRANTS AND COVENANTS THAT IT WILL NOT TRANSFER SUCH INCOME NOTE WITHOUT PROVIDING THE TRUSTEE WITH A WRITTEN CERTIFICATION FOR THE BENEFIT OF THE TRUSTEE AND THE ISSUER FROM THE TRANSFEREE THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH INCOME NOTE WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH INCOME NOTE WILL NOT BE ACTING ON BEHALF OF), A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND THAT SUCH TRANSFEREE WILL OBTAIN THE SAME REPRESENTATION, WARRANTY AND COVENANT FROM ITS TRANSFEREE.

EACH PURCHASER AND TRANSFEREE OF AN INCOME NOTE (OR AN INTEREST THEREIN) THAT IS A FOREIGN, CHURCH OR GOVERNMENTAL PLAN WILL BE DEEMED TO REPRESENT AND WARRANT THAT ITS ACQUISITION, HOLDING AND DISPOSITION OF THE INCOME NOTE (OR INTEREST THEREIN) WILL NOT RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER, OR A VIOLATION OF, ANY APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO ERISA OR SECTION 4975 OF THE CODE.

The sale of any security to a Plan is in no respect a representation by the Co-Issuers, the Placement Agents, the Collateral Manager or any of their affiliates that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for a Plan generally or any particular Plan.

ANY PLAN FIDUCIARY THAT PROPOSES TO CAUSE A PLAN TO PURCHASE ANY SECURITY SHOULD CONSULT WITH ITS OWN LEGAL AND TAX ADVISORS WITH RESPECT TO THE POTENTIAL APPLICABILITY OF ERISA AND THE CODE TO SUCH INVESTMENTS, THE CONSEQUENCES OF SUCH AN INVESTMENT UNDER ERISA AND THE CODE AND THE ABILITY TO MAKE THE REPRESENTATIONS AND WARRANTIES DESCRIBED ABOVE. MOREOVER, EACH PLAN FIDUCIARY SHOULD DETERMINE WHETHER, UNDER THE GENERAL FIDUCIARY STANDARDS OF ERISA, AN INVESTMENT IN ANY SECURITY IS APPROPRIATE FOR THE PLAN, TAKING INTO ACCOUNT THE OVERALL INVESTMENT POLICY OF THE PLAN AND THE COMPOSITION OF THE PLAN'S INVESTMENT PORTFOLIO.

PLAN OF DISTRIBUTION

Barclays Capital Inc. and Descap Securities, Inc., as Placement Agents on behalf of the Co-Issuers, will privately place certain of the Offered Securities, subject to prior sale, when, as and if issued at varying prices to be determined in each case at the time of sale. The Placement Agents reserve the right to withdraw, cancel or modify such offer and to reject offers in whole or in part. Pursuant to a Placement Agency Agreement (the "Placement Agreement") to be dated the Closing Date among the Co-Issuers and the Placement Agents, the Placement Agents have agreed, subject to satisfaction of certain conditions, to use their reasonable efforts to sell the Offered Securities on behalf of the Co-Issuers. Pursuant to the Placement Agreement, the Co-Issuers will agree to indemnify the Placement Agents against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Placement Agents may be required to make in respect thereof. The Placement Agents or any of their respective Affiliates may, but are not obligated to, purchase any of the Offered Securities. Any Offered Securities purchased by any of them may be resold at any time.

The Co-Issuers have been advised by the Placement Agents that the Placement Agents propose to sell the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes and Class G Notes (i) in the United States to investors whom they reasonably believe to be Qualified Purchasers that are Qualified Institutional Buyers, purchasing for their own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A and (ii) outside the United States to certain Non-U.S. Persons in offshore transactions in reliance on Regulation S and, in each case, in accordance with any other applicable law.

The Issuer has been advised by the Placement Agents that the Placement Agents propose to sell the Class H Notes and Combination Notes (i) in the United States to investors whom they reasonably believe to be Qualified Purchasers that are Qualified Institutional Buyers, purchasing for their own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A and (ii) outside the United States to certain Non-U.S. Persons that are also Qualified Institutional Buyers in offshore transactions in reliance on Regulation S and, in each case, in accordance with any other applicable law.

The Issuer has been advised by the Placement Agents that the Placement Agents propose to sell the Income Notes (i) in the United States to investors whom they reasonably believe to be Qualified Purchasers that are either (x) Qualified Institutional Buyers or (y) Accredited Investors that are also Rule 3a-7 Persons, purchasing for their own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Section 4(2) or Rule 144A and (ii) outside the United States to certain Non-U.S. Persons that are also Qualified Institutional Buyers or Rule 3a-7 Persons in offshore transactions in reliance on Regulation S and, in each case, in accordance with any other applicable law.

CERTAIN SELLING RESTRICTIONS

United States

The Offered Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from the registration requirements under the Securities Act provided by Section 4(2) or Rule 144A.

(1) In the Placement Agreement, the Placement Agents will represent and agree that they have not offered or sold Offered Securities and will not offer or sell Offered Securities

except in accordance with Rule 903 of Regulation S or as provided in paragraph (2) (in the case of Notes and Combination Notes) or paragraph (3) (in the case of Income Notes) below. Accordingly, the Placement Agents will represent and agree that neither they, their respective affiliates (if any) nor any persons acting on their behalf have engaged or will engage in any directed selling efforts with respect to Offered Securities, and they have complied and will comply with the offering restrictions requirements of Regulation S.

(2) In the Placement Agreement, the Placement Agents will agree that they will not, acting either as principal or agent, offer or sell any Notes or Combination Notes in the United States other than Notes or Combination Notes in registered form bearing a restrictive legend thereon, and they will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Notes or Combination Notes (or approve the resale of any of such Notes or Combination Notes):

(a) except (1) inside the United States through a U.S. broker dealer that is registered under the Exchange Act to an investor who the Placement Agents reasonably believe is both a Qualified Purchaser and a Qualified Institutional Buyer that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the risks of investing in the Notes or Combination Notes or is represented by a fiduciary or agent with sole investment discretion having such knowledge and experience or (2) otherwise in accordance with the restrictions on transfer set forth in such Notes or Combination Notes, the Placement Agreement and this Offering Circular; or

(b) by means of any form of general solicitation or general advertisement, including but not limited to (1) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio and (2) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

(3) In the Placement Agreement, the Placement Agents will agree that they will not, acting either as principal or agent, offer or sell any Income Notes in the United States other than Income Notes in registered form bearing a restrictive legend thereon, and they will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Income Notes (or approve the resale of any of such Income Notes):

(a) except (1) inside the United States through a U.S. broker dealer that is registered under the Exchange Act to investors of which the Placement Agents reasonably believe is both a Qualified Purchaser and either (x) a Qualified Institutional Buyer that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the risks of investing in the Income Notes or is represented by a fiduciary or agent with sole investment discretion having such knowledge and experience or (y) an Accredited Investor that is also a Rule 3a-7 Person or (2) otherwise in accordance with the restrictions on transfer set forth in such Income Notes, the Placement Agreement and this Offering Circular; or

(b) by means of any form of general solicitation or general advertisement, including but not limited to (1) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over

television or radio and (2) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

Prior to the sale of any Offered Securities in registered form bearing a restrictive legend thereon, the Placement Agents shall have provided each offeree that is a U.S. Person with a copy of this Offering Circular in the form the Issuer and the Placement Agents shall have agreed most recently shall be used for offers and sales in the United States (the initial such form being this Offering Circular).

(4) In the Placement Agreement, the Placement Agents will represent and agree that in connection with each sale to a Qualified Institutional Buyer or Rule 3a-7 Person they have taken or will take reasonable steps to ensure that the purchaser is aware that the Offered Securities have not been and will not be registered under the Securities Act and that transfers of Offered Securities are restricted as set forth herein.

United Kingdom

Each Placement Agent will represent and agree that (i) it has not offered or sold and, prior to the completion of the period of six months from the Closing Date, will not offer or sell any Offered Securities 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, as amended, (ii) it has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Offered Securities 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 Offered Securities in, from or otherwise involving the United Kingdom.

Cayman Islands

Each Placement Agent will represent and agree that it has not made and will not make any invitation to the public in the Cayman Islands to subscribe for the Offered Securities.

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Offered Securities or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the Offered Securities in any country or jurisdiction where action for that purpose is required. Accordingly, the Offered Securities may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Offered Securities may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Purchasers of the Offered Securities may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the purchase price.

ANTI-MONEY LAUNDERING AND ANTI-TERRORISM REQUIREMENTS AND DISCLOSURES

In order to comply with U.S. and Cayman Islands laws and regulations, including the USA PATRIOT Act, aimed at the prevention of money laundering and the prohibition of transactions with certain countries, organizations and individuals, the Issuer (or the Placement Agents, the Collateral Manager or the Trustee on its behalf) may request from an investor or a prospective investor such information as it reasonably believes is necessary to verify the identity of such investor or prospective investor, and to determine whether such investor or prospective investor is permitted to be an investor in the Issuer or the Notes pursuant to such laws and regulations. In the event of the delay or failure by any investor or prospective investor in the Notes to deliver to the Issuer any such requested information, the Issuer (or the Placement Agents, the Collateral Manager or the Trustee on its behalf) may (i) require such investor to immediately transfer any Note, or beneficial interest therein, held by such investor to an investor meeting the requirements of this Offering Circular and the Indenture, (ii) refuse to accept the subscription of a prospective investor, or (iii) take any other action required to comply with such laws and regulations. In addition, following the delivery of any such information, the Issuer (or the Placement Agents, the Collateral Manager or the Trustee on its behalf) may take any of the actions identified in clauses (i)-(iii) above. In certain circumstances, the Issuer, the Trustee, the Collateral Manager or any of the Placement Agents may be required to provide information about investors to regulatory authorities and to take any further action as may be required by law. None of the Issuer, the Trustee, the Collateral Manager, the Placement Agents or any member or manager of the Issuer will be liable for any loss or injury to an investor or prospective investor that may occur as a result of disclosing such information, refusing to accept the subscription of any potential investor, redeeming any investment in an Offered Security or taking any other action required by law.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers and potential transferees are advised to consult legal counsel prior to making any offer, sale, resale, pledge or transfer of the Offered Securities.

Investor Representations on Initial Purchase. Each initial purchaser of an Income Note, Combination Note or Definitive Note (or any beneficial interest therein) will be required to provide a written certification prior to its purchase thereof in which it acknowledges, represents and agrees with the Issuer or Co-Issuers, as applicable, and the Placement Agents the representations and agreements set forth in paragraphs (1) through (5) below and each such initial purchaser of an Income Note, Combination Note or Definitive Note (or any beneficial interest therein) will be deemed to acknowledge, represent to and agree with the Co-Issuers and the Placement Agents, as to each of the other representations and agreements set forth in the following paragraphs, and each initial purchaser of a beneficial interest in a Global Note will be deemed to acknowledge, represent to and agree with the Co-Issuers and the Placement Agents, as to each of the following representations and agreements:

(1) *Qualified Institutional Buyer (or, in the case of the Income Notes only, an Accredited Investor who is also Rule 3a-7 Person) or Non-U.S. Person Status.* The purchaser is (i)(x) a "qualified institutional buyer" as defined in Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act") and is acquiring the Offered Securities in reliance on the exemption from Securities Act registration provided by Rule 144A thereunder or (y) in connection with the Income Notes only, an accredited investor (as defined in Rule 501(a) under the Securities Act, an "Accredited Investor"), in reliance on the exemption from the registration requirements provided by Section 4(2) of the Securities Act and in accordance with any other applicable law, that is also a person (other than any rating organization rating the Issuer's securities) involved in the organization or operation of the Issuer or an affiliate, as defined in

Rule 405 under the Securities Act, of such a person (a "Rule 3a-7 Person"); or (ii) not a "U.S. person" as defined in Regulation S under the Securities Act that is, in the case of a purchaser of a Class H Note or Combination Note, also a Qualified Institutional Buyer, or, in the case of a purchaser of Income Notes only either a Qualified Institutional Buyer or a Rule 3a-7 Person, and is acquiring the Offered Securities in reliance on the exemption from Securities Act registration provided by Regulation S thereunder;

(2) *Limitations on Transfer; Minimum Denominations and Original Capital Contributions*. The purchaser understands that the Offered Securities are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Offered Securities have not been and will not be registered under the Securities Act, and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer the Offered Securities, such Offered Securities may be offered, resold, pledged or otherwise transferred only in accordance with the provisions of the Indenture and the legends on such Offered Securities, including the requirement for written certifications. In particular, the purchaser understands that (A) the Rated Notes or Combination Notes may be transferred only to (a) a "qualified purchaser" as defined in the Investment Company Act of 1940, as amended (the "1940 Act") that is a "qualified institutional buyer" as defined in Rule 144A under the Securities Act who purchases such Rated Notes or Combination Notes in reliance on the exemption from Securities Act registration provided by Rule 144A thereunder or (b) a transferee that is not a "U.S. person" as defined in Regulation S under the Securities Act, that is, in the case of a transferee of a Class H Note or a Combination Note, a Qualified Institutional Buyer, and is acquiring the Notes or Combination Notes in reliance on the exemption from registration provided by Regulation S thereunder and (B) the Income Notes may be transferred only to (a) a "qualified purchaser" as defined in the 1940 Act that is either (x) a "qualified institutional buyer" as defined in Rule 144A under the Securities Act who purchases such Income Notes in reliance on the exemption from Securities Act registration provided by Rule 144A thereunder or (y) an Accredited Investor, in reliance on the exemption from the registration requirements provided by Section 4(2) of the Securities Act and in accordance with an other applicable law, that is also a Rule 3a-7 Person; or (b) a transferee that is not a "U.S. person" as defined in Regulation S under the Securities Act and that is a Qualified Institutional Buyer or Rule 3a-7 Person, and is acquiring the Income Notes in reliance on the exemption from registration provided by Regulation S thereunder. The purchaser acknowledges that no representation is made as to the availability of any exemption under the Securities Act or any state securities laws for resale of the Offered Securities. The purchaser agrees that no Offered Security (or any interest therein) may be sold, pledged or otherwise transferred in a denomination of less than the applicable minimum denomination set forth in the Indenture and described herein. In addition, each initial purchaser of a Class H Note, Combination Note or Income Note (or any interest in any of the foregoing) represents, warrants and covenants that it will not transfer such Class H Note, Combination Note or Income Note (or such interest therein) without providing the Issuer and Co-Issuer, as applicable, and the Trustee with a written certification for the benefit of the Issuer and Co-Issuer, as applicable, and the Trustee from the transferee thereof that such transferee is a Qualified Institutional Buyer or, in the case of a Restricted Income Note, both an Accredited Investor and a Rule 3a-7 Person, and that such transferee will obtain the same representation, warranty and covenant from any entity to whom it transfers such Class H Note, Combination Note or Income Note (or interest therein).

(3) *Purchaser Sophistication; Non-Reliance; Suitability; Access to Information*. In connection with its purchase of the Offered Securities: (i) the purchaser has received this Offering Circular; (ii) none of the Co-Issuers, the Placement Agents, the Collateral Manager or any of their respective affiliates are acting as a fiduciary or financial or investment adviser for it; (iii) it is not relying on any written or oral advice, counsel or representations of the Co-Issuers,

the Placement Agents, the Collateral Manager or any of their respective affiliates other than, solely in the case of the Co-Issuers, in this Offering Circular; (iv) it has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisers to the extent it has deemed necessary, and has made its own investment decisions based upon its own judgment and upon any advice from such advisers as it had deemed necessary and not upon any view expressed by the Co-Issuers, the Placement Agents, the Collateral Manager or any of their respective affiliates; (v) it has had access to such financial and other information concerning the Co-Issuers and the Offered Securities as it has deemed necessary to make its own independent decision to purchase Offered Securities, including the opportunity, at a reasonable time prior to its purchase of Offered Securities, to ask questions and receive answers concerning the Co-Issuers and the terms and conditions of the offering of the Offered Securities; and (vi) it is a sophisticated investor and is purchasing the Offered Securities with a full understanding of all of the terms, conditions and risks thereof, and it is capable of assuming and willing to assume those risks.

(4) *1940 Act.* In the case of each purchaser of Offered Securities, if the purchaser is purchasing a Class H Note, Combination Note or Income Note, (A) the purchaser is a "qualified institutional buyer" as defined in Rule 144A under the Securities Act; or (B) if the purchaser is a U.S. Person, the purchaser (i) is both a "qualified purchaser" for purposes of Section 3(c)(7) of the 1940 Act and a "qualified institutional buyer" as defined in Rule 144A under the Securities Act or, in the case of the Income Notes only, an Accredited Investor, in reliance on the exemption from the registration requirements provided by Section 4(2) of the Securities Act and in accordance with any other applicable law, that is also a person (other than any rating organization rating the Issuer's securities) involved in the organization or operation of the Issuer or an affiliate, as defined in Rule 405 under the Securities Act, of such a person (a "Rule 3a-7 Person"); (ii) is acquiring the Notes and Combination Notes as principal solely for its own account for investment and not with a view to the resale, distribution or other disposition thereof in violation of the Securities Act; (iii) has made investments prior to the date hereof and was not formed solely for the purpose of investing in the Notes and Combination Notes, or, if it has not made investments prior to the date hereof and was formed solely for the purpose of investing in the Notes and Combination Notes, each beneficial owner of the purchaser is a "qualified purchaser" for purposes of Section 3(c)(7) of the 1940 Act; (iv) is not a (A) partnership, (B) common trust fund, or (C) special trust, pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants may designate the particular investments to be made; (v) agrees that it shall not hold any Notes and Combination Notes for the benefit of any other person, that it shall at all times be the sole beneficial owner thereof for purposes of the 1940 Act and all other purposes and that it shall not sell participation interests in the Notes and Combination Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Notes and Combination Notes; and (vi) agrees that all Notes and Combination Notes (together with any other securities of the Co-Issuers) purchased and held directly or indirectly by it constitute in the aggregate an investment of no more than 40% of its assets or capital.

If the purchaser is a U.S. Person, the purchaser represents that, unless the purchaser is a Qualifying Investment Vehicle (as defined below), (a) if the purchaser would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, the amount of the purchaser's investment in the Offered Securities does not exceed 40% of the total assets (determined on a consolidated basis with its subsidiaries) of the purchaser; (b) no person owning any equity or similar interest in the purchaser has the ability to control any investment decision of the purchaser or to determine, on an investment-by-investment basis, the amount of such person's contribution to any investment made by the purchaser; (c) the purchaser was not organized or reorganized for the specific purpose of acquiring Offered Securities; and (d) no additional capital or similar contributions were specifically solicited from any person owning an equity or similar

interest in the purchaser for the purpose of enabling the purchaser to purchase Offered Securities (any such transferee in (a), (b), (c) or (d) above being herein referred to as a "Flow-Through Investment Vehicle"). For this purpose, a "Qualifying Investment Vehicle" is an entity (i) as to which all of the beneficial owners of any securities issued by such entity have made, and as to which (in accordance with the document pursuant to which such entity was organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make, to the Issuer or the Co-Issuers, as the case may be, and the Note Registrar each of the representations set forth herein and in the Indenture required to be made upon transfer of any of the relevant Offered Securities (with modifications to such representations satisfactory to the Collateral Manager and the Issuer to reflect the indirect nature of the interests of such beneficial owners in such Offered Securities, including any modification permitting an initial beneficial owner of securities issued by such entity to represent that it is an Accredited Investor in lieu of being a Qualified Institutional Buyer).). If the purchaser is a Flow-Through Investment Vehicle, the purchaser represents and warrants that either (a) none of the beneficial owners of its securities are U.S. Persons or (b) some or all of the beneficial owners of its securities are U.S. Persons and each such beneficial owner has certified to the purchaser that it is a Qualified Purchaser. If the purchaser is a Flow-Through Investment Vehicle, the purchaser also represents and warrants that it has only one class of securities outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Offered Securities).

(5) *ERISA*. In the case of each purchaser or transferee of a Class A Note, Class B Note, Class C Note, Class D Note, Class E Note, Class F Note or Class G Note (or an interest in any of the foregoing), either (i) it is not (and for so long as it holds such Note will not be), and is not acting on behalf of (and for so long as it holds such Note will not be acting on behalf of), an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, a "plan" described in Section 4975(e)(1) of the Code, an entity which is deemed to hold plan assets of any of the foregoing by reason of investment by an employee benefit plan or plan in such entity or a foreign, church or governmental plan which is subject to any applicable law that is substantially similar to ERISA or Section 4975 of the Code, or (ii) its purchase, holding and disposition of such Note will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a foreign, church or governmental plan, any substantially similar applicable law).

In the case of each purchaser or transferee of a Class H Note (or an interest therein), it is not (and for so long as it holds such Note will not be), and is not acting on behalf of (and for so long as it holds such Note will not be acting on behalf of), a Benefit Plan Investor.

In the case of each purchaser or transferee of a Combination Note (or an interest therein), it is not (and for so long as it holds such Combination Note will not be), and is not acting on behalf of (and for so long as it holds such Note will not be acting on behalf of), a Benefit Plan Investor or a Controlling Person.

The acquisition by an initial purchaser of an Income Note (or an interest therein) by, or on behalf of, or with the assets of (a) a Benefit Plan Investor or (b) a Controlling Person will not be effective, and the Issuer and the Trustee will not recognize such acquisition, if such acquisition would result in (a) Benefit Plan Investors owning 25% or more of the total value of the Income Notes (including the Income Note Component of any Combination Note) (in each case determined pursuant to 29 C.F.R. Section 2510.3-101 and Section 3(42) of ERISA) or (b) a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

No transferee of an Income Note may be a Benefit Plan Investor or a Controlling Person. Each initial purchaser of an Income Note (or an interest therein) represents, warrants and covenants that it will not transfer such Income Note without providing the Trustee with a written certification for the benefit of the Trustee and the Issuer from its transferee that such transferee is not (and for so long as it holds such Income Note will not be), and it is not acting on behalf of (and for so long as it holds such Income Note will not be acting on behalf of), a Benefit Plan Investor or a Controlling Person and that such transferee will obtain the same representation, warranty and covenant from its transferee.

In the case of each purchaser or transferee of a Class H Note, Combination Note or Income Note (or an interest in any of the foregoing) that is a foreign, church or governmental plan, its acquisition, holding and disposition of such Note (or interest therein) will not result in a nonexempt prohibited transaction under, or a violation of, any applicable law that is substantially similar to ERISA or Section 4975 of the Code.

(6) *No Governmental Approval*. The purchaser understands that the Offered Securities have not been approved or disapproved by the SEC or any other governmental authority or agency of any jurisdiction, nor has the SEC or any other governmental authority or agency passed upon the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense.

(7) *Certification Upon Transfer*. If required by the Indenture, the purchaser will, prior to any sale, pledge or other transfer by it of any Offered Securities (or any interest therein), obtain from the transferee and deliver to the Issuer and the Note Registrar a duly executed transferee certificate addressed to each of the Trustee, the Issuer, the Note Registrar and the Collateral Manager in the form of the relevant exhibit attached to the Indenture and such other certificates and other information as the Issuer, the Collateral Manager, the Trustee or the Note Registrar, as the case may be, may reasonably require to confirm that the proposed transfer substantially complies with the transfer restrictions contained in this Offering Circular and the Indenture.

(8) *Form of Offered Securities*. The purchaser understands that Offered Securities may in limited circumstances be issued in fully registered, definitive form and will be transferable only by delivery of the certificates representing such Offered Securities.

(9) *Securities Law Limitations on Resale*. The purchaser understands that the Offered Securities have not been registered under the Securities Act and, therefore, cannot be offered or sold in the United States or to U.S. Persons (as defined in Rule 902(k) promulgated under the Securities Act) unless they are registered under the Securities Act or unless an exemption from registration is available. Accordingly, the certificates representing the Offered Securities will bear a legend stating that such Offered Securities have not been registered under the Securities Act and setting forth certain of the restrictions on transfer of the Offered Securities, as the case may be, described herein. The purchaser understands that the Issuer has no obligation to register any of the Offered Securities under the Securities Act or to comply with the requirements for any exemption from the registration requirements of the Securities Act (other than to supply information specified in Rule 144A(d)(4) of the Securities Act as required by the Indenture).

(10) *Certain Resale Limitations; Rule 144A*. No Rated Note or Combination Note (or any interest therein) may be offered, sold, pledged or otherwise transferred to (i) a transferee acquiring a Restricted Global Rated Note or Restricted Combination Note except (a) to a Qualified Purchaser that the seller reasonably believes is a Qualified Institutional Buyer,

purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, (b) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (c) if such transfer is made in compliance with the certification and other requirements set forth in the Indenture and (d) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction or (ii) a transferee acquiring an interest in a Regulation S Global Rated Note or Regulation S Global Combination Note except (a) to a transferee that is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S, (b) to a transferee that is not a U.S. Person and, in the case of a Class H Note, is a Qualified Institutional Buyer, (c) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (d) if such transfer is made in compliance with the other requirements set forth in the Indenture and (e) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Income Notes (or any interest therein) may be offered, sold, pledged or otherwise transferred to a transferee acquiring Income Notes except (i) (a) to a Qualified Purchaser that the seller reasonably believes is either (x) a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (y) an Accredited Investor, in a transaction exempt from registration under the Securities Act, subject to the delivery of such certification, legal opinions or other information as the Issuer may require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, that is also a Rule 3a-7 Person, (b) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (c) to a transferee that represents and warrants that it is not (and for so long as it holds such Income Note will not be), and is not acting on behalf of (and for so long as it holds such Income Note will not be acting on behalf of), a Benefit Plan Investor or a Controlling Person, (d) to a transferee that is a foreign, church or governmental plan that represents and warrants that its acquisition, holding and disposition of such Note will not result in a nonexempt prohibited transaction under, or a violation of, any applicable law that is substantially similar to ERISA or Section 4975 of the Code, (e) if such transfer is made in compliance with the certification and other requirements set forth in the Indenture and (f) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction or (ii) (a) to a transferee that is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S, (b) to a transferee that is a Qualified Institutional Buyer that is not a U.S. Person, (b) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (c) if such transfer is made in compliance with the other requirements set forth in the Indenture and (d) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

(11) *Limited Liquidity*. The purchaser understands that there is no market for the Offered Securities and that no assurance can be given as to the liquidity of any trading market for the Offered Securities and that it is unlikely that a trading market for any of the Offered Securities will develop. The purchaser further understands that, although any of the Placement Agents may from time to time make a market in Offered Securities, neither of the Placement Agents is under any obligation to do so and, following the commencement of any market-making, such Placement Agent may discontinue such market-making at any time. Accordingly, the purchaser must be prepared to hold the Offered Securities for an indefinite period of time or until their maturity.

(12) *Certain Transfers Void*. In the case of a purchaser who takes delivery of Offered Securities in the form of an interest in a Restricted Global Rated Note, Restricted Combination Note or Restricted Income Note the purchaser agrees that (a) any sale, pledge or other transfer of Offered Securities (or any interest therein) made in violation of the transfer restrictions contained in this Offering Circular and in the Indenture or made based upon any false or inaccurate representation made by the purchaser or a transferee to the Issuer, the Co-Issuer, the Trustee or the Note Registrar, will be void and of no force or effect and (b) none of the Issuer, the Co-Issuer, the Trustee, the Note Registrar or the Administrator has any obligation to recognize any sale, pledge or other transfer of Offered Securities (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation.

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Class A Note, Class B Note, Class C Note, Class D Note, Class E Note, Class F Note or Class G Note (or any interest therein) (A) is a U.S. Person and (B) was not both a Qualified Purchaser and a Qualified Institutional Buyer at the time of its acquisition thereof, then either of the Co-Issuers may require, by notice to such holder, that such holder sell all of its right, title and interest in such Note or Combination Note (or interest therein) to a Person that is both a Qualified Purchaser and a Qualified Institutional Buyer with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Issuer, the Trustee (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's interest in such Note or Combination Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is both a Qualified Purchaser and a Qualified Institutional Buyer and (ii) pending such transfer, no further payments will be made in respect of such Note or Combination Note held by such beneficial owner.

In addition, the Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Class H Note or Combination Note (or any interest therein) was not a Qualified Institutional Buyer (or, in the case of a U.S. Person, was not both a Qualified Purchaser and a Qualified Institutional Buyer) at the time of its acquisition thereof, then either of the Co-Issuers may require, by notice to such holder, that such holder sell all of its right, title and interest in such Note or Combination Note (or interest therein) to a Person that is a Qualified Institutional Buyer (or, in the case of a U.S. Person, a Person that is both a Qualified Purchaser and a Qualified Institutional Buyer) with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from either Co-Issuer, the Trustee (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's interest in such Class H Note or Combination Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is a Qualified Institutional Buyer (or, in the case of a U.S. Person, both a Qualified Purchaser and a Qualified Institutional Buyer) and (ii) pending such transfer, no further payments will be made in respect of such Class H Note or Combination Note held by such beneficial owner.

The Indenture further provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of Income Notes was not a Qualified Institutional Buyer or a Rule 3a-7 Person (or, in the case of a U.S. Person, was not both a Qualified Purchaser and either (x) a Qualified Institutional Buyer or (y) an Accredited Investor

that is also a Rule 3a-7 Person) at the time of its acquisition thereof, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Income Notes (or interest therein) to a Person that is a Qualified Institutional Buyer or a Rule 3a-7 Person (or, in the case of a U.S. Person, that is both a Qualified Purchaser and either (x) a Qualified Institutional Buyer or (y) an Accredited Investor that is also a Rule 3a-7 Person), with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Issuer, the Trustee (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's interest in such Income Notes to be transferred in a commercially reasonable sale (conducted by the Trustee (on behalf of and at the expense of the issuer) in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York) to a person that certifies to the Trustee, the Issuer and the Collateral Manager, in connection with such transfer, that such person is a Qualified Institutional Buyer or a Rule 3a-7 Person (or in the case of a U.S. Person, both a Qualified Purchaser and either (x) a Qualified Institutional Buyer or (y) an Accredited Investor that is also a Rule 3a-7 Person) and (ii) pending such transfer, no further payments will be made in respect of such Income Note held by such beneficial owner.

(13) *Limitation on Sales of Income Notes and Combination Notes to Reg Y Institutions*. No Reg Y Institution may transfer any Income Notes or Combination Notes held by it to any person other than (a) a person or group of persons under common control that controls the Issuer without reference to any Income Notes or Combination Notes transferred to such person or group by such Reg Y Institution (a "Controlling Party"), (b) a person or persons designated by a Controlling Party, (c) in a widespread public distribution as part of a public offering, (d) in amounts such that, after giving effect thereto, no single transferee and its affiliates will hold more than 2.0% of the aggregate number of Income Notes (including all options, warrants and similar rights exercisable or convertible into Income Notes, including the Income Note Component) or (e) as otherwise permitted by applicable U.S. Federal banking law and regulations.

(14) *List of Participants.* The purchaser acknowledges and understands that the Issuer, or the Trustee on behalf of the Issuer, may receive a list of participants holding positions in its securities from one or more book-entry depositories.

(15) *Cayman Islands*. The purchaser is not a member of the public in the Cayman Islands.

(16) *Tax Status.* If the purchaser is purchasing Income Notes or, through its purchase of Combination Notes, Income Note Components, with an aggregate principal amount equal to greater than 50% of the aggregate principal amount of all Income Notes and Income Note Components, either (i) it is a "United States person" as defined in Section 7701(a)(30) of the Code or (ii) it either (A) is not a bank within the meaning of Section 881(c)(3)(A) of the Code or an affiliate of a bank or (B) is eligible for benefits under an income tax treaty with the United States that eliminates U.S. federal income taxation of U.S. source interest not attributable to a permanent establishment in the United States. If the purchaser is purchasing Income Notes or, through its purchase of Combination Notes, Income Note Components, with a view to resale to a person that would beneficially own Income Notes or, through its purchase of Combination Notes, Income Note Components, with an aggregate principal amount equal to greater than 50% of the aggregate principal amount of all Income Notes and Income Note Components, either (i) such person is a "United States person" as defined in Section 7701(a)(30) of the Code or (ii) such person either (A) is not a bank within the meaning of Section 881(c)(3)(A) of the Code or an affiliate of a bank or (B) is eligible for benefits under an income tax treaty with the United States

that eliminates U.S. federal income taxation of U.S. source interest not attributable to a permanent establishment in the United States.

(17) *Reliance on Representations, etc.* The purchaser acknowledges that the Issuer, the Placement Agents and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties made or deemed to have been made by it in connection with its purchase of Offered Securities are no longer accurate, the purchaser will promptly notify the Issuer and the Placement Agents.

(18) *Legend for Notes*. (a) The purchaser understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes or Class G Notes:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO A "QUALIFIED PURCHASER" (AS DEFINED FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT")), THAT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY SUCH RULE OR (B) TO A TRANSFEREE THAT IS NOT A "U.S. PERSON" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN AN OFFSHORE TRANSACTION (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN EACH CASE IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY APPLICABLE JURISDICTION.

EACH PURCHASER OF THIS NOTE OR ANY INTEREST HEREIN WILL BE DEEMED TO HAVE MADE, OR WILL BE REQUIRED TO MAKE, THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.4 OF THE INDENTURE. TRANSFERS OF THIS NOTE OR ANY INTEREST HEREIN MUST GENERALLY BE ACCOMPANIED BY APPROPRIATE TAX AND ERISA (AS DEFINED BELOW) TRANSFER DOCUMENTATION AND ARE SUBJECT TO RESTRICTIONS AS PROVIDED IN THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE CO-ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME THE ISSUER OR THE CO-ISSUER DETERMINES OR IS NOTIFIED THAT THE HOLDER OF THIS NOTE OR OF ANY BENEFICIAL INTEREST HEREIN WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE TRUSTEE MAY CONSIDER THE ACQUISITION OF THIS NOTE OR OF SUCH INTEREST HEREIN VOID AND REQUIRE THAT THIS NOTE OR SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER AND THE CO-ISSUER, IF APPLICABLE.

NEITHER OF THE CO-ISSUERS HAS BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940. NO TRANSFER OF THIS NOTE OR ANY

INTEREST HEREIN MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. PERSON (WITHIN THE MEANING OF REGULATION S) THAT IS NOT BOTH A "QUALIFIED PURCHASER" (AS DEFINED FOR PURPOSES OF SECTION 3(c)(7) OF THE 1940 ACT) AND A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE CO-ISSUERS OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE 1940 ACT, (C) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE), OR (D) SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE INDENTURE. ACCORDINGLY, ANY INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

EACH PURCHASER AND TRANSFEREE OF A CLASS A NOTE, CLASS B NOTE, CLASS C NOTE, CLASS D NOTE, CLASS E NOTE, CLASS F NOTE OR CLASS G NOTE (OR AN INTEREST IN ANY OF THE FOREGOING) WILL BE DEEMED TO REPRESENT AND WARRANT EITHER THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE ACTING ON BEHALF OF), AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), WHICH IS SUBJECT TO TITLE I OF ERISA, A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY WHICH IS DEEMED TO HOLD PLAN ASSETS OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN EMPLOYEE BENEFIT PLAN OR PLAN IN SUCH ENTITY OR A FOREIGN, CHURCH OR GOVERNMENTAL PLAN WHICH IS SUBJECT TO ANY APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE, OWNERSHIP AND DISPOSITION OF SUCH NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A FOREIGN, CHURCH OR GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED HEREIN, EITHER OF THE CO-ISSUERS DETERMINES THAT ANY BENEFICIAL OWNER OF THIS NOTE (OR ANY INTEREST HEREIN) (A) IS A U.S. PERSON AND (B) WAS NOT BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER AT THE TIME OF ITS ACQUISITION HEREOF (OR OF ANY INTEREST HEREIN), THEN EITHER OF THE CO-ISSUERS MAY REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST HEREIN TO A PERSON THAT IS BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (I) UPON DIRECTION FROM THE ISSUER, THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST HEREIN TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610(B) OF THE

UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE CO-ISSUERS AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER AND (II) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THIS NOTE.

ANY TRANSFEREE OF THIS NOTE (OR ANY INTEREST HEREIN), AND EACH ACCOUNT FOR WHICH IT IS PURCHASING THIS NOTE (OR ANY INTEREST HEREIN), IS REQUIRED TO HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATIONS REQUIRED BY THE INDENTURE. EACH TRANSFEREE IS REQUIRED TO PROVIDE WRITTEN NOTICE OF THE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREES.

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

(b) The purchaser understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Class H Note:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO A "QUALIFIED PURCHASER" (AS DEFINED FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT")), THAT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY SUCH RULE OR (B) TO A TRANSFEREE THAT IS A QUALIFIED INSTITUTIONAL BUYER THAT IS NOT A "U.S. PERSON" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN AN OFFSHORE TRANSACTION (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN EACH CASE IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY APPLICABLE JURISDICTION.

EACH PURCHASER OF THIS NOTE OR ANY INTEREST HEREIN WILL BE DEEMED TO HAVE MADE, OR WILL BE REQUIRED TO MAKE, THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.4 OF THE INDENTURE. TRANSFERS OF THIS NOTE OR ANY INTEREST HEREIN MUST GENERALLY BE ACCOMPANIED BY APPROPRIATE TAX AND ERISA (AS DEFINED BELOW) TRANSFER DOCUMENTATION AND ARE SUBJECT TO RESTRICTIONS AS PROVIDED IN THE

INDENTURE. IN ADDITION, EACH INITIAL PURCHASER OF THIS NOTE (OR ANY INTEREST HEREIN) REPRESENTS, WARRANTS AND COVENANTS THAT IT WILL NOT TRANSFER THIS NOTE OR ANY INTEREST HEREIN WITHOUT PROVIDING THE ISSUER AND THE TRUSTEE WITH A WRITTEN CERTIFICATION FOR THE BENEFIT OF THE ISSUER AND THE TRUSTEE FROM THE TRANSFEREE HEREOF THAT SUCH TRANSFEREE IS A QUALIFIED INSTITUTIONAL BUYER, AND THAT SUCH TRANSFEREE WILL OBTAIN THE SAME REPRESENTATION, WARRANTY AND COVENANT FROM ANY ENTITY TO WHOM IT TRANSFERS THIS NOTE OR ANY INTEREST HEREIN. 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. IF AT ANY TIME THE ISSUER DETERMINES OR IS NOTIFIED THAT THE HOLDER OF THIS NOTE OR OF ANY BENEFICIAL INTEREST HEREIN WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE TRUSTEE MAY CONSIDER THE ACQUISITION OF THIS NOTE OR OF SUCH INTEREST VOID AND REQUIRE THAT THIS NOTE OR SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER, IF APPLICABLE.

THE ISSUER HAS NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940. NO TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. PERSON (WITHIN THE MEANING OF REGULATION S) THAT IS NOT BOTH A "QUALIFIED PURCHASER" (AS DEFINED FOR PURPOSES OF SECTION 3(c)(7) OF THE 1940 ACT) AND A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) SUCH TRANSFER WOULD BE MADE TO A NON-US PERSON WHO IS NOT A QUALIFIED INSTITUTIONAL BUYER (C) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE CO-ISSUERS OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE 1940 ACT, (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE), OR (E) SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE INDENTURE. ACCORDINGLY, ANY INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

EACH PURCHASER AND TRANSFEREE OF A CLASS H NOTE (OR AN INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE ACTING ON BEHALF OF), (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR AN ENTITY WHICH IS DEEMED TO HOLD PLAN ASSETS OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN EMPLOYEE BENEFIT PLAN OR PLAN IN SUCH ENTITY (INCLUDING, WITHOUT LIMITATION, CERTAIN INSURANCE COMPANY GENERAL ACCOUNTS).

EACH PURCHASER AND TRANSFEREE OF A CLASS H NOTE (OR AN INTEREST THEREIN) THAT IS A FOREIGN, CHURCH OR GOVERNMENTAL PLAN WILL BE DEEMED TO REPRESENT AND WARRANT THAT ITS ACQUISITION, HOLDING AND DISPOSITION OF THE CLASS H NOTE (OR INTEREST THEREIN) WILL NOT RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER, OR A VIOLATION OF, ANY APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO ERISA OR SECTION 4975 OF THE CODE.

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED HEREIN, THE ISSUER DETERMINES THAT ANY BENEFICIAL OWNER OF THIS NOTE (OR ANY INTEREST HEREIN) WAS NOT A QUALIFIED INSTITUTIONAL BUYER (OR IN THE CASE OF A U.S. PERSON, WAS NOT BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER) AT THE TIME OF ITS ACQUISITION HEREOF, THEN THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST HEREIN (OR INTEREST HEREIN) TO A PERSON THAT IS A QUALIFIED INSTITUTIONAL BUYER (OR IN THE CASE OF A U.S. PERSON, A PERSON THAT IS BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER) WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (I) UPON DIRECTION FROM THE ISSUER, THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST HEREIN TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610(B) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS A QUALIFIED INSTITUTIONAL BUYER (OR IN THE CASE OF A U.S. PERSON, BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER) AND (II) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH NOTE HELD BY SUCH BENEFICIAL OWNER.

ANY TRANSFEREE OF THIS NOTE (OR ANY INTEREST HEREIN), AND EACH ACCOUNT FOR WHICH IT IS PURCHASING THIS NOTE (OR ANY INTEREST HEREIN), IS REQUIRED TO HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATIONS REQUIRED BY THE INDENTURE. EACH TRANSFEREE IS REQUIRED TO PROVIDE WRITTEN NOTICE OF THE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREES.

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

(20) *Legend for Income Notes*. The purchaser understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Income Notes:

THIS INCOME NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO A "QUALIFIED PURCHASER" (AS DEFINED FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"), THAT IS (X) A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY SUCH RULE OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(A) UNDER THE SECURITIES ACT, AN "ACCREDITED INVESTOR"), IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS PROVIDED BY SECTION 4(2) OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY OTHER APPLICABLE LAW, THAT IS ALSO A PERSON (OTHER THAN ANY RATING ORGANIZATION RATING THE ISSUER'S SECURITIES) INVOLVED IN THE ORGANIZATION OR OPERATION OF THE ISSUER OR AN AFFILIATE, AS DEFINED IN RULE 405 UNDER THE SECURITIES ACT, OF SUCH A PERSON (A "RULE 3a-7 PERSON") OR (B) TO A TRANSFEREE THAT IS A QUALIFIED INSTITUTIONAL BUYER THAT IS NOT A "U.S. PERSON" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN AN OFFSHORE TRANSACTION (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN EACH CASE IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY APPLICABLE JURISDICTION.

EACH TRANSFEREE OF AN INTEREST IN THIS INCOME NOTE WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER A LETTER IN THE FORM ATTACHED AS AN EXHIBIT TO THE INDENTURE TO THE EFFECT THAT SUCH TRANSFEREE WILL NOT TRANSFER SUCH INTEREST EXCEPT IN COMPLIANCE WITH THE TRANSFER RESTRICTIONS SET FORTH IN THE INDENTURE (INCLUDING THE REQUIREMENT THAT ANY SUBSEQUENT TRANSFEREE OF AN INTEREST IN INCOME NOTES EXECUTE AND DELIVER SUCH LETTER AS A CONDITION TO ANY SUBSEQUENT TRANSFER). IN ADDITION, EACH INITIAL PURCHASER OF INCOME NOTES (OR ANY INTEREST THEREIN) REPRESENTS, WARRANTS AND COVENANTS THAT IT WILL NOT TRANSFER INCOME NOTES OR ANY INTEREST THEREIN WITHOUT PROVIDING THE ISSUER AND THE TRUSTEE WITH A WRITTEN CERTIFICATION FOR THE BENEFIT OF THE ISSUER AND THE TRUSTEE FROM THE TRANSFEREE THEREOF THAT SUCH TRANSFEREE IS A QUALIFIED INSTITUTIONAL BUYER OR PERSON (OTHER THAN ANY RATING ORGANIZATION RATING THE ISSUER'S SECURITIES) INVOLVED IN THE ORGANIZATION OR OPERATION OF THE ISSUER OR AN AFFILIATE, AS DEFINED IN RULE 405 UNDER THE SECURITIES ACT, OF SUCH A PERSON (A "RULE 3A-7 PERSON"), AND THAT SUCH TRANSFEREE WILL OBTAIN THE SAME REPRESENTATION, WARRANTY AND COVENANT FROM ANY ENTITY TO WHOM IT TRANSFERS INCOME NOTES OR ANY INTEREST THEREIN.

THE ISSUER HAS NOT BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940. NO TRANSFER OF ANY INCOME NOTES REPRESENTED HEREBY (OR

ANY INTEREST HEREIN) MAY BE MADE (AND THE TRUSTEE AND THE ISSUER WILL NOT RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. PERSON (WITHIN THE MEANING OF REGULATION S) THAT IS NOT BOTH A "QUALIFIED PURCHASER" (AS DEFINED FOR PURPOSES OF SECTION 3(c)(7) OF THE 1940 ACT) AND A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (B) SUCH TRANSFER WOULD BE MADE TO A NON-US PERSON WHICH IS NOT A QUALIFIED INSTITUTIONAL BUYER (C) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE 1940 ACT, (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE), OR (E) SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE ATTACHED AS AN EXHIBIT TO THE INDENTURE. ACCORDINGLY, AN INVESTOR IN INCOME NOTES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THE ACQUISITION BY AN INITIAL PURCHASER OF AN INCOME NOTE (OR AN INTEREST THEREIN) BY, OR ON BEHALF OF, OR WITH THE ASSETS OF (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR AN ENTITY WHICH IS DEEMED TO HOLD PLAN ASSETS OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN EMPLOYEE BENEFIT PLAN OR PLAN IN SUCH ENTITY (INCLUDING, WITHOUT LIMITATION, CERTAIN INSURANCE COMPANY GENERAL ACCOUNTS) (EACH OF THE FOREGOING, A "BENEFIT PLAN INVESTOR"), OR (B) ANY OTHER PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) THAT HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON (EACH, A "CONTROLLING PERSON") WILL NOT BE EFFECTIVE, AND THE ISSUER AND THE TRUSTEE WILL NOT RECOGNIZE SUCH ACQUISITION, IF SUCH ACQUISITION WOULD RESULT IN (A) BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE INCOME NOTES (IN EACH CASE DETERMINED PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AND SECTION 3(42) OF ERISA) OR (B) A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE.

NO TRANSFEREE OF AN INCOME NOTE MAY BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH INITIAL PURCHASER OF AN INCOME NOTE (OR AN INTEREST THEREIN) REPRESENTS, WARRANTS AND COVENANTS THAT IT WILL NOT TRANSFER SUCH INCOME NOTE WITHOUT PROVIDING THE TRUSTEE WITH A WRITTEN CERTIFICATION FOR THE BENEFIT OF THE TRUSTEE AND THE ISSUER FROM THE TRANSFEREE THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH INCOME NOTE WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH INCOME NOTE WILL NOT BE ACTING ON BEHALF OF), A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND THAT SUCH

TRANSFEREE WILL OBTAIN THE SAME REPRESENTATION, WARRANTY AND COVENANT FROM ITS TRANSFEREE.

EACH PURCHASER AND TRANSFEREE OF AN INCOME NOTE (OR AN INTEREST THEREIN) THAT IS A FOREIGN, CHURCH OR GOVERNMENTAL PLAN WILL BE DEEMED TO REPRESENT AND WARRANT THAT ITS ACQUISITION, HOLDING AND DISPOSITION OF THE INCOME NOTE (OR INTEREST THEREIN) WILL NOT RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER, OR A VIOLATION OF, ANY APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO ERISA OR SECTION 4975 OF THE CODE.

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. IF AT ANY TIME THE ISSUER DETERMINES OR IS NOTIFIED THAT THE HOLDER OF SUCH BENEFICIAL INTEREST IN SUCH SECURITY WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE ISSUER, THE TRUSTEE OR ANY INTERMEDIARY MAY CONSIDER THE ACQUISITION OF THIS INCOME NOTE OR SUCH INTEREST IN SUCH INCOME NOTE VOID AND REQUIRE THAT THIS INCOME NOTE OR SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER.

THIS INCOME NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS ONLY IF THE PURCHASER IS (A) BOTH A QUALIFIED PURCHASER AND EITHER (X) A QUALIFIED INSTITUTIONAL BUYER OR (Y) AN ACCREDITED INVESTOR THAT IS ALSO A RULE 3a-7 PERSON AND (B) ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT AND IN TRADING LOTS OF NOT LESS THAN U.S.$250,000. IN ADDITION, NO TRANSFER OF THIS INCOME NOTE OR ANY INTEREST HEREIN MAY BE MADE IN THE UNITED STATES OR TO A U.S. PERSON (AND THE TRUSTEE AND THE ISSUER WILL NOT RECOGNIZE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS (A) A DEALER DESCRIBED IN PARAGRAPH (a)(1)(ii) OF RULE 144A WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF CO-ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER OR (B) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN.

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INDENTURE, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN WAS NOT A QUALIFIED INSTITUTIONAL BUYER OR A RULE 3a-7 PERSON (OR IN THE CASE OF A U.S. PERSON, WAS NOT BOTH A QUALIFIED PURCHASER AND EITHER (X) A QUALIFIED INSTITUTIONAL BUYER OR (Y) AN ACCREDITED INVESTOR THAT IS ALSO A RULE 3a-7 PERSON) AT THE TIME OF ITS ACQUISITION HEREOF, THEN THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST HEREIN TO A PERSON THAT IS A QUALIFIED INSTITUTIONAL BUYER OR A RULE 3a-7 PERSON (OR IN THE CASE OF A U.S. PERSON, THAT IS BOTH A QUALIFIED PURCHASER AND EITHER (X) A QUALIFIED INSTITUTIONAL BUYER OR (Y) AN ACCREDITED

INVESTOR THAT IS ALSO A RULE 3a-7 PERSON), WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (I) UPON DIRECTION FROM THE ISSUER, THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST HEREIN TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE (CONDUCTED BY THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) IN ACCORDANCE WITH SECTION 9-610(B) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS A QUALIFIED INSTITUTIONAL BUYER OR A 3a-7 PERSON (OR IN THE CASE OF A U.S. PERSON, THAT IS BOTH A QUALIFIED PURCHASER AND EITHER (X) A QUALIFIED INSTITUTIONAL BUYER OR (Y) AN ACCREDITED INVESTOR THAT IS ALSO A RULE 3a-7 PERSON) AND (II) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT HEREOF.

IF THIS INCOME NOTE IS A REGULATION S INCOME NOTE, UNLESS THIS INCOME NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE TRUSTEE FOR REGISTRATION OF TRANSFER OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS 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.

(21) *Legend for Combination Notes*. The purchaser understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Combination Notes:

THE COMBINATION NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO A "QUALIFIED PURCHASER" (AS DEFINED FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"), THAT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY SUCH RULE AND IN ACCORDANCE WITH ANY OTHER APPLICABLE LAW, OR (B) TO A TRANSFEREE THAT IS A QUALIFIED INSTITUTIONAL BUYER THAT IS NOT A "U.S. PERSON" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN AN OFFSHORE TRANSACTION (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN EACH CASE IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY APPLICABLE JURISDICTION.

EACH PURCHASER OF THIS COMBINATION NOTE OR ANY INTEREST HEREIN WILL BE DEEMED TO HAVE MADE, OR WILL BE REQUIRED TO MAKE, THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.4 OF THE INDENTURE. TRANSFERS OF THIS COMBINATION NOTE OR ANY INTEREST HEREIN MUST GENERALLY BE ACCOMPANIED BY APPROPRIATE TAX AND ERISA (AS DEFINED BELOW) TRANSFER DOCUMENTATION AND ARE SUBJECT TO RESTRICTIONS AS PROVIDED IN THE INDENTURE. IN ADDITION, EACH INITIAL PURCHASER OF THIS COMBINATION NOTE (OR ANY INTEREST HEREIN) REPRESENTS, WARRANTS AND COVENANTS THAT IT WILL NOT TRANSFER THIS COMBINATION NOTE OR ANY INTEREST HEREIN WITHOUT PROVIDING THE ISSUER AND THE TRUSTEE WITH A WRITTEN CERTIFICATION FOR THE BENEFIT OF THE ISSUER AND THE TRUSTEE FROM THE TRANSFEREE HEREOF THAT SUCH TRANSFEREE IS A QUALIFIED INSTITUTIONAL BUYER, AND THAT SUCH TRANSFEREE WILL OBTAIN THE SAME REPRESENTATION, WARRANTY AND COVENANT FROM ANY ENTITY TO WHOM IT TRANSFERS THIS COMBINATION NOTE OR ANY INTEREST HEREIN. 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 CO-ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME THE ISSUER DETERMINES OR IS NOTIFIED THAT THE HOLDER OF THIS COMBINATION NOTE OR OF ANY BENEFICIAL INTEREST HEREIN WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE TRUSTEE MAY CONSIDER THE ACQUISITION OF THIS COMBINATION NOTE OR OF SUCH INTEREST VOID AND REQUIRE THAT THIS COMBINATION NOTE OR SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER, IF APPLICABLE.

THE ISSUER HAS NOT BEEN REGISTERED UNDER THE 1940 ACT. NO TRANSFER OF ANY COMBINATION NOTE REPRESENTED HEREBY (OR ANY INTEREST HEREIN) MAY BE MADE (AND THE TRUSTEE, THE NOTE REGISTRAR AND THE ISSUER WILL NOT RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. PERSON (WITHIN THE MEANING OF REGULATION S) THAT IS NOT BOTH A "QUALIFIED PURCHASER" (AS DEFINED FOR PURPOSES OF SECTION 3(c)(7) OF THE 1940 ACT) AND A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (B) SUCH TRANSFER WOULD BE MADE TO A NON-U.S. PERSON WHICH IS NOT A QUALIFIED INSTITUTIONAL BUYER, (C) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE 1940 ACT, (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE), OR (E) SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE INDENTURE. ACCORDINGLY, ANY INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

EACH PURCHASER AND TRANSFEREE OF A COMBINATION NOTE (OR AN INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT

BE ACTING ON BEHALF OF), (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" DESCRIBED IN SECTION 4975(E)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR AN ENTITY WHICH IS DEEMED TO HOLD PLAN ASSETS OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN EMPLOYEE BENEFIT PLAN OR PLAN IN SUCH ENTITY (INCLUDING, WITHOUT LIMITATION, INSURANCE COMPANY GENERAL ACCOUNTS) OR (B) ANY OTHER PERSON THAT HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101(F)(3)) OF ANY SUCH PERSON.

EACH PURCHASER AND TRANSFEREE OF A COMBINATION NOTE (OR AN INTEREST THEREIN) THAT IS A FOREIGN, CHURCH OR GOVERNMENTAL PLAN WILL BE DEEMED TO REPRESENT AND WARRANT THAT ITS ACQUISITION, HOLDING AND DISPOSITION OF THE COMBINATION NOTE (OR INTEREST THEREIN) WILL NOT RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER, OR A VIOLATION OF, ANY APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO ERISA OR SECTION 4975 OF THE CODE.

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, THE NOTE REGISTRAR OR ANY INTERMEDIARY. IF AT ANY TIME THE ISSUER DETERMINES OR IS NOTIFIED THAT THE HOLDER OF SUCH BENEFICIAL INTEREST IN SUCH SECURITY WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE ISSUER, THE TRUSTEE, THE NOTE REGISTRAR OR ANY INTERMEDIARY MAY CONSIDER THE ACQUISITION OF THIS COMBINATION NOTE OR SUCH INTEREST IN SUCH COMBINATION NOTE VOID AND REQUIRE THAT THIS COMBINATION NOTE OR SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER.

THE COMBINATION NOTES REPRESENTED HEREBY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS ONLY IF THE PURCHASER IS (A) BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER AND (B) ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT. IN ADDITION, NO TRANSFER OF THE COMBINATION NOTES REPRESENTED HEREBY OR ANY INTEREST HEREIN MAY BE MADE IN THE UNITED STATES OR TO A U.S. PERSON (AND THE TRUSTEE, THE NOTE REGISTRAR AND THE ISSUER WILL NOT RECOGNIZE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS (A) A DEALER DESCRIBED IN PARAGRAPH (a)(1)(ii) OF RULE 144A WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF CO-ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER OR (B) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN.

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INDENTURE, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN WAS NOT A QUALIFIED INSTITUTIONAL BUYER (OR IN THE CASE OF A U.S. PERSON, WAS NOT BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER AT THE TIME OF ITS ACQUISITION HEREOF, THEN THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST HEREIN TO A PERSON THAT IS A QUALIFIED INSTITUTIONAL BUYER (OR IN THE CASE OF A U.S. PERSON, THAT IS BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (I) UPON DIRECTION FROM THE ISSUER, THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST HEREIN TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE (CONDUCTED BY THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) IN ACCORDANCE WITH SECTION 9-610(B) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS A QUALIFIED INSTITUTIONAL BUYER (OR IN THE CASE OF A U.S. PERSON, THAT IS BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER) AND (II) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT HEREOF.

IF THIS COMBINATION NOTE IS A REGULATION S COMBINATION NOTE, UNLESS THIS COMBINATION NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE COMBINATION NOTE REGISTRAR FOR REGISTRATION OF TRANSFER OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS 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.

Investor Representations on Resale. Except as otherwise provided in this paragraph, each transferee and/or transferor of an Offered Security will be required to deliver to the Issuer and the Note Registrar a duly executed certificate in the form of the relevant exhibit attached to the Indenture and such other certificates and other information as the Issuer, the Co-Issuer, the Collateral Manager or the Trustee may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in such documents and this Offering Circular (including, without limitation, a certification from the transferee of any Class H Note, Combination Note or Income Notes that such transferee is a Qualified Institutional Buyer or in the case of the Income Notes only, a Rule 3a-7 Person). An owner of a beneficial interest in a Regulation S Global Rated Note or Regulation S Combination Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Rated Note or Regulation S Combination Note without the provision of written certification; *provided,* that (a) such transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and only in accordance with the Applicable Procedures, (b) the transferee thereof will be deemed to have made certain representations set forth in the Indenture, (c) any transfer not effected in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S may be made only upon

provision to the Note Registrar of written certification that the transferee is both a Qualified Purchaser and a Qualified Institutional Buyer in the form provided for in the Indenture and (d) each initial purchaser of a Class H Note or Combination Note (or any interest in any of the foregoing) represents, warrants and covenants that it will not transfer such Class H Note or Combination Note (or such interest therein) without providing the Issuer and Co-Issuer, as applicable, and the Trustee with a written certification for the benefit of the Issuer and Co-Issuer, as applicable, and the Trustee from the transferee thereof that such transferee is a Qualified Institutional Buyer, and that such transferee will obtain the same representation, warranty and covenant from any entity to whom it transfers such Class H Note or Combination Note (or interest therein). An owner of a beneficial interest in a Restricted Global Rated Note or Restricted Combination Note may transfer such interest in the form of a beneficial interest in such Restricted Global Rated Note or Restricted Combination Note without the provision of written certification; *provided,* that (a) such transfer is made to a Qualified Purchaser that the transferor reasonably believes is a Qualified Institutional Buyer, (b) the transferee thereof will be deemed to have made certain representations set forth in the Indenture, and (c) each initial purchaser of a Class H Note or Combination Note (or any interest in any of the foregoing) represents, warrants and covenants that it will not transfer such Class H Note (or such interest therein) without providing the Issuer and Co-Issuer, as applicable, and the Trustee with a written certification for the benefit of the Issuer and Co-Issuer, as applicable, and the Trustee from the transferee thereof that such transferee is a Qualified Institutional Buyer, and that such transferee will obtain the same representation, warranty and covenant from any entity to whom it transfers such Class H Note or Combination Note (or interest therein). Each transferee and/or transferor of Income Notes will be required to execute and deliver to the Issuer and the Trustee a certificate in the applicable form attached as an exhibit to the Indenture to the effect that certain representations are true with respect to such transferee and/or transferor and such transferee and/or transferor will not transfer such Income Note except in compliance with the transfer restrictions set forth in the Indenture (including the requirement that any subsequent transferee execute and deliver such certificate). Each transferee of a Definitive Note or Definitive Combination Note will be required to execute and deliver to the Issuer and the Trustee a certificate in the form attached as an exhibit to the Indenture to the effect that certain representations are true with respect to such transferee and such transferee will not transfer such Definitive Note or Definitive Combination Note except in compliance with the transfer restrictions set forth in the Indenture (including the requirement that any subsequent transferee execute and deliver such certificate). Pursuant to each such transferee certificate, the transferee (a) will acknowledge, represent to and agree with the Issuer and the Trustee as to the matters set forth in each of paragraphs (1) through (17) above, as applicable (other than paragraphs (1), (3) and (11) above), as if each reference therein to "the purchaser" were instead a reference to the transferee and (b) will further represent to and agree with the Issuer and the Trustee as follows (and each transferee of an interest in a Security in global form shall be deemed to represent as follows):

(1) In the case of a transferee who takes delivery of a Definitive Note or an interest in a Restricted Global Rated Note or a Definitive Combination Note or an interest in a Restricted Combination Note, it (i) is a Qualified Purchaser that is a Qualified Institutional Buyer, purchasing for its own account, to whom notice has been given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A, (ii) is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.$25,000,000 in securities of issuers that are not affiliated persons of the dealer, (iii) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan, (iv) it will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee, (v) is aware that the sale to it is being made in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act, and (vi) is acquiring such Notes or Combination

Notes for its own account. In the case of a transferee who takes delivery of Definitive Notes or Regulation S Notes or Definitive Combination Notes or Regulation S Combination Notes, it (i) is acquiring such Regulation S Notes in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S, (ii) is acquiring such Regulation S Notes for its own account, (iii) is not acquiring, and has not entered into any discussions regarding its acquisition of such Definitive Notes or Regulation S Notes or Definitive Combination Notes or Regulation S Combination Notes while it is in the United States or any of its territories or possessions, (iv) understands that such Regulation S Notes are being sold without registration under the Securities Act by reason of an exemption that depends, in part, on the accuracy of these representations, and (v) understands that such Definitive Notes or Definitive Combination Notes may not, absent an applicable exemption, be transferred without registration and/or qualification under the Securities Act and applicable state securities laws and the laws of any other applicable jurisdiction.

(2) In the case of a transferee who takes delivery of an Income Note, either (A) it (i) is a Qualified Purchaser that is either (x) a Qualified Institutional Buyer or (y) a Rule 3a-7 Person, purchasing for its own account, to whom notice has been given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A, (ii) is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.$25,000,000 in securities of issuers that are not affiliated persons of the dealer, (iii) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan, (iv) it will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee, (v) is aware that the sale to it is being made in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act, and (vi) is acquiring such Income Notes for its own account or (B) it (i) is acquiring such Income Notes in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S, (ii) is acquiring such Income Notes for its own account, (iii) is not acquiring, and has not entered into any discussions regarding its acquisition of, such Income Notes while it is in the United States or any of its territories or possessions, (iv) understands that such Income Notes are being sold without registration under the Securities Act by reason of an exemption that depends, in part, on the accuracy of these representations, and (v) understands that such Income Notes may not, absent an applicable exemption, be transferred without registration and/or qualification under the Securities Act and applicable state securities laws and the laws of any other applicable jurisdiction.

(3) It acknowledges that the foregoing acknowledgements, representations and agreements will be relied upon by the Trustee for the purpose of determining its eligibility to purchase Rated Notes, Combination Notes or Income Notes, as applicable. It agrees to provide, if requested, any additional information that may be required to substantiate its status as a Qualified Institutional Buyer as a Rule 3a-7 Person or as a Qualified Purchaser, or that may be required under the exception provided pursuant to Rule 3a-7 or Section 3(c)(7) of the 1940 Act, or to determine compliance with ERISA and/or Section 4975 of the Code or to otherwise to determine its eligibility to purchase Rated Notes, Combination Notes or Income Notes, as applicable.

LISTING AND GENERAL INFORMATION

1. Application has been made to the Irish Financial Services Regulatory Authority ("IFSRA") in its capacity as competent authority under Directive 2003/71/EC (the "Prospectus Directive"), for the Offering Circular to be approved. Application has been made to the Irish Stock Exchange for the Notes and Combination Notes to be admitted to the Official List and trading on its regulated

market. Solely for the purpose of listing the Notes on the Irish Stock Exchange, this Offering Circular constitutes a prospectus (the "Prospectus") for the purposes of the Prospectus Directive. References throughout this document to the "Offering Circular" shall be taken to read "Prospectus" for such purpose. Approval (if granted) relates only to the Notes and Combination Notes which are expected to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC (or which are to be offered to the public in any Member State of the European Economic Area). The cost of obtaining listing of the Notes and the Combination Notes on the Irish Stock Exchange is expected to be approximately €25,000. So long as any Notes or Combination Notes are listed on the Irish Stock Exchange, copies of the final Offering Circular, the Issuer Charter, the Collateral Management Agreement, the Placement Agreement, the Collateral Administration Agreement, the Certificate of Incorporation and By-laws of the Co-Issuer and the Indenture will be deposited with RSM Robson Rhodes LLP in its capacity as Irish listing agent located in Dublin, Ireland (in such capacity, the "Irish Listing Agent") and as the Irish Paying Agent. For the life of this document, electronic copies of the documents enumerated in this paragraph 1 may be obtained, free of charge, upon request from the Irish Listing Agent within such period of time from the listing of the Notes on the Irish Stock Exchange as the rules of such stock exchange mandate. Copies of the documents referred to in this paragraph 1 will also be available for inspection at the registered office of the Issuer.

2. Copies of the Issuer Charter, the Certificate of Incorporation and By-laws of the Co-Issuer, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Offered Securities and the resolutions of the Board of Directors of the Co-Issuer authorizing the issuance of the Rated Notes (other than the Class H Notes), the Indenture and the Collateral Management Agreement may be obtained free of charge upon request within 30 days of the date of the final Offering Circular at the office of the Trustee on behalf of the Issuer.

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

4. The Issuer is a "special purpose vehicle" incorporated in the Cayman Islands as an exempted company with limited liability and the Co-Issuer is a "special purposes vehicle" incorporated in the State of Delaware. The issuance of the Offered Securities will be authorized by the Board of Directors of the Issuer by resolutions passed on or about September 18, 2006. The issuance of the Offered Securities will be authorized by the Board of Directors of the Co-Issuer by resolutions passed on or about September 18, 2006. Since incorporation, neither the Issuer nor the Co-Issuer has commenced trading or established any accounts, except as disclosed herein or accounts used to hold amounts received with respect to share capital and fees.

5. The Co-Issuer is not required by the law of the State of Delaware, and the Co-Issuer does not intend, to publish annual reports and accounts. The Issuer is not required by the law of the Cayman Islands, and the Issuer does not intend, to publish annual reports and accounts. The Indenture, however, requires the Issuer to provide written confirmation to the Trustee, on an annual basis, that no Event of Default or other matter which is required to be brought to the Trustee's attention has occurred.

6. Offered Securities sold in offshore transactions in reliance on Regulation S and represented by Regulation S Global Rated Notes, Regulation S Global Combination Notes or Regulation S Income Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The table below lists the CUSIP (CINS) Numbers and the International Securities Identification Numbers (ISIN) for Offered Securities represented by Regulation S Global Rated Notes and Restrictive Global Rated Notes:

	CUSIP	ISIN
Class A-1 Notes (Rule 144A)	50011PAA4	US50011PAA49
Class A-1 Notes (Regulation S)	G53069AA1	USG53069AA15
Class A-2 Notes (Rule 144A)	50011PAB2	US50011PAB22
Class A-2 Notes (Regulation S)	G53069AB9	USG53069AB97
Class B Notes (Rule 144A)	50011PAC0	US50011PAC05
Class B Notes (Regulation S)	G53069AC7	USG53069AC70
Class C Notes (Rule 144A)	50011PAD8	US50011PAD87
Class C Notes (Regulation S)	G53069AD5	USG53069AD53
Class D-1 Notes (Rule 144A)	50011PAE6	US50011PAE60
Class D-1 Notes (Regulation S)	G53069AE3	USG53069AE37
Class D-2 Notes (Rule 144A)	50011PAJ5	US50011PAJ57
Class D-2 Notes (Regulation S)	G53069AJ2	USG53069AJ24
Class D-3 Notes (Rule 144A)	50011PAK2	US50011PAK21
Class D-3 Notes (Regulation S)	G53069AK9	USG53069AK96
Class E-1 Notes (Rule 144A)	50011PAF3	US50011PAF36
Class E-1 Notes (Regulation S)	G53069AF0	USG5369AF02
Class E-2 Notes (Rule 144A)	50011PAL0	US50011PAL04
Class E-2 Notes (Regulation S)	G53069AL7	USG53069AL79
Class F Notes (Rule 144A)	50011PAG1	US50011PAG19
Class F Notes (Regulation S)	G53069AG8	USG53069AG84
Class G Notes (Rule 144A)	50011PAH9	US50011PAH91
Class G Notes (Regulation S)	G53069AH6	USG53069AH67
Class H Notes (Rule 144A)	50011NAC5	US50011NAC56
Class H Notes (Regulation S)	G53068AC9	USG53068AC97
Income Notes (Rule 144A)	50011NAA9	US50011NAA90
Income Notes (Regulation S)	G53068AA3	USG53068AA32
Combination Notes (Rule 144A)	50011NAB7	US50011NAB73
Combination Notes (Regulation S)	G53068AB1	USG53068AB15

LEGAL MATTERS

Certain legal matters with respect to the Offered Securities will be passed upon the Placement Agents by Sidley Austin LLP. Certain matters with respect to Cayman Islands corporate law and tax law will be passed upon for the Issuer by Walkers. Certain legal matters with respect to the Collateral Manager and the Co-Issuers will be passed upon by Mayer, Brown, Rowe & Maw LLP.

ANNEX A

GLOSSARY OF CERTAIN DEFINED TERMS

"*Affiliate*" or "*Affiliated*" means, with respect to a specified Person, (a) any other Person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such Person or (b) any other Person who is a director, officer, employee, member or general partner of such Person. For the purposes of this definition, "control" of a Person means the power, direct or indirect, (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of such Person or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

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

"*Applicable Recovery Rate*" means with respect to any Collateral Debt Security, the least of the Fitch Recovery Rate for such Collateral Debt Security, the Moody's Recovery Rate for such Collateral Debt Security and the Standard & Poor's Recovery Rate for such Collateral Debt Security.

"*Business Day*" means a day on which commercial banks and foreign exchange markets settle payments in each of New York City, London and the city in which the principal corporate trust office of the Trustee is located and, in the case of the final payment of principal of a Note, the place of presentation of such Note.

"*Calculation Amount*" means, with respect to any Defaulted Security or Deferred Interest Collateral Debt Security at any time, the product of the Applicable Recovery Rate and the Principal Balance of such Defaulted Security or Deferred Interest Collateral Debt Security, as applicable.

"*Call Premium*" means any premiums received in connection with the redemption of any Collateral Debt Securities.

"*Capitalized Leases*" means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

"*Consolidated*" means the consolidation of accounts in accordance with GAAP.

"*Coverage Tests*" means each of the Class A/B Overcollateralization Test, the Class C Overcollateralization Test, the Class D Overcollateralization Test, the Class E Overcollateralization Test, the Class F/G Overcollateralization Test, the Class H Overcollateralization Test, the Class A/B Interest Coverage Test, the Class C Interest Coverage Test, the Class D Interest Coverage Test, the Class E Interest Coverage Test, the Class F/G Interest Coverage Test and the Class H Interest Coverage Test.

"*Credit Impaired Security"* means any Collateral Debt Security that satisfies one of the following criteria: (a) so long as no rating of any Class of Rated Notes has been reduced or withdrawn by any Rating Agency, the Collateral Manager believes, in its commercially reasonable business judgment, (as of the date of the Collateral Manager's determination based upon currently available information) that such Collateral Debt Security has a significant risk of declining in credit quality and, with lapse of time, becoming a Defaulted Security; or (b) so long as, the rating of any Class of Co-Issuer Notes has been reduced or withdrawn by any Rating Agency, the rating of such Collateral Debt Security has been withdrawn, downgraded or put on a watch list for possible downgrade by any Rating Agency by one or

more rating subcategories, since it was acquired by the Issuer and the Collateral Manager believes, in its commercially reasonable business judgment, (as of the date of the Collateral Manager's determination based upon currently available information) that such Collateral Debt Security has a significant risk of declining in credit quality and, with lapse of time, becoming a Defaulted Security.

"*Current Coupon*" means, as of any date of determination, (i) with respect to any Collateral Debt Security which is a Fixed Rate Collateral Debt Security, the stated rate at which interest accrues on such Fixed Rate Collateral Debt Security and (ii) with respect to any Collateral Debt Security which is a Deemed Fixed Rate Collateral Debt Security, the Deemed Fixed Spread plus the Deemed Fixed Rate, each related to such Deemed Fixed Rate Collateral Debt Security.

"*Current Spread*" means, as of any date of determination, (i) with respect to any Collateral Debt Security which is a floating rate Collateral Debt Security, the stated spread above or below LIBOR at which interest accrues on such floating rate Collateral Debt Security, (ii) with respect to any Collateral Debt Security which is a Deemed Floating Rate Collateral Debt Security, the Deemed Floating Spread, each related to such Deemed Floating Rate Collateral Debt Security.

"*Debt*" means (a) indebtedness for borrowed money, (b) obligations evidenced by bonds, debentures, notes or other similar instruments and (c) obligations as lessee under leases that shall have been or should be, in accordance with generally accepted accounting principles, recorded as Capitalized Leases; *provided*, *however*, that "Debt" shall not be deemed to include (w) trade payables not overdue or being contested in good faith, (x) obligations under any interest rate agreements, (y) Preferred Interests, and (z) any debt subordinate to the applicable Collateral Debt Security.

"*Deemed Fixed Rate*" means a rate equal to the fixed rate that the related Hedge Counterparty agrees to pay on a Deemed Fixed Rate Hedge Agreement at the time such agreement is executed.

"*Deemed Fixed Rate Collateral Debt Security*" means a floating rate Collateral Debt Security the interest rate of which is hedged into a fixed rate Collateral Debt Security pursuant to the terms of a Deemed Fixed Rate Hedge Agreement; *provided* that the aggregate principal balance of all Deemed Fixed Rate Collateral Debt Securities and Deemed Floating Rate Collateral Debt Securities shall not exceed 20% of the aggregate Principal Balance of all Collateral Debt Securities.

"*Deemed Fixed Rate Hedge Agreement*" means, with respect to a floating rate Collateral Debt Security, an interest rate swap having a notional amount (or scheduled notional amounts) equal to the Principal Balance (as it may be reduced by expected amortization) of such floating rate Collateral Debt Security.

"*Deemed Fixed Spread*" means the spread over LIBOR on each floating rate Collateral Debt Security that comprises a Deemed Fixed Rate Collateral Debt Security (excluding all Defaulted Securities and Deferred Interest Collateral Debt Securities) less the amount of such spread, if any, required to be paid to the related Hedge Counterparty. For purposes of this definition, in the case of any floating rate Collateral Debt Security that does not bear interest at a rate expressed as a stated spread above or below LIBOR, the stated spread to LIBOR relating to such floating rate Collateral Debt Security shall be calculated on any Measurement Date by the Collateral Manager in its sole judgment on behalf of the Issuer by subtracting LIBOR (as determined on the most recent LIBOR Determination Date) from the interest rate payable on such floating rate Collateral Debt Security.

"*Deemed Floating Rate*" means the floating rate in excess of LIBOR or such other floating rate index as applicable that the related Hedge Counterparty agrees to pay on a Deemed Floating Rate Hedge Agreement at the time such agreement is executed.

"*Deemed Floating Rate Collateral Debt Security*" means a fixed rate Collateral Debt Security the interest rate of which is hedged into a floating rate Collateral Debt Security pursuant to the terms of a Deemed Floating Rate Hedge Agreement; *provided* that the aggregate principal balance of all Deemed Fixed Rate Collateral Debt Securities and Deemed Floating Rate Collateral Debt Securities shall not exceed 20% of the aggregate Principal Balance of all Collateral Debt Securities.

"*Deemed Floating Rate Hedge Agreement*" means, with respect to a fixed rate Collateral Debt Security, an interest rate swap having a notional amount (or scheduled notional amounts) equal to the Principal Balance (as it may be reduced by expected amortization) of such fixed rate Collateral Debt Security.

"*Deemed Floating Spread*" means the difference between the stated rate at which interest accrues on each fixed rate Collateral Debt Security that comprises a Deemed Floating Rate Collateral Debt Security (excluding all Defaulted Securities and Deferred Interest Collateral Debt Securities) and the Fixed Payment Rate.

"*Defaulted Interest*" means any interest due and payable in respect of any Rated Note that is not punctually paid or duly provided for on the applicable Distribution Date or at Stated Maturity. Defaulted Interest will not include Class C Deferred Interest, Class D Deferred Interest, Class E Deferred Interest, Class F Deferred Interest, Class G Deferred Interest or Class H Deferred Interest.

"*Defaulted Security*" means any Pledged Security with respect to which (i) there has occurred and is continuing any default or event of default under the related Underlying Instrument which entitles the holders thereof, with the giving of notice or passage of time or both, to accelerate the maturity of all or a portion of the principal amount of such Pledged Security, (ii) any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer of such Pledged Security or Eligible Security or there has been effected any distressed exchange or any other debt restructuring where the issuer or obligor of such Pledged Security has offered the debt holders a new security or package of securities that does not meet the definition of "Collateral Debt Security" contained herein, (iii) is rated "D" or "SD" by Standard & Poor's, (iv) Standard & Poor's has withdrawn its rating, (v) is rated "CC" or below by Fitch, (v) is rated "Ca-" or "C" be Moody's or (vi) the Collateral Manager knows the issuer thereof or obligor thereon is in default (without giving effect to any applicable grace period or waiver) as to payment of principal and/or interest on another obligation (and such default has not been cured or waived) which is senior or *pari passu* in right of payment to such Pledged Security; *provided*, that any such security shall be considered a Defaulted Security only until such time as the default or event of default has been cured or waived and such security otherwise satisfies the criteria for inclusion of securities in the Collateral described in the definition of "Collateral Debt Security" or "Eligible Investments," as applicable to such security.

"*Defeased Security*" means a security that has been defeased in accordance with the terms of the applicable Underlying Instruments pursuant to which Eligible Investments have been deposited with the trustee.

"Deferred Interest" means Class C Deferred Interest, Class D Deferred Interest, Class E Deferred Interest, Class F Deferred Interest, Class G Deferred Interest and/or Class H Deferred Interest, as the context shall require.

"*Deferred Interest Collateral Debt Security*" means a Collateral Debt Security with respect to which payment of interest either in whole or in part has been deferred and for which any such deferred interest remains outstanding, but only until such time as payment of interest on such Collateral Debt

Security has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the Underlying Instruments.

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

"*EBITDA*" means, for any Real Estate Entity and its subsidiaries for any period, the Consolidated net operating income for such Real Estate Entity and its subsidiaries for such period (determined in accordance with GAAP), plus (i) all amounts if at all deducted in arriving at such Consolidated net operating income amount for such period for interest expense and for federal, state and local income tax expense and for amortization of intangibles and for depreciation of property, plant and equipment, and (ii) normalized gains or losses on sales in accordance with GAAP; *provided*, that EBITDA shall exclude all amounts in respect of extraordinary items, non-cash and non-recurring expenses. For the purpose of this definition, EBITDA of any Real Estate Entity that has completed a formation transaction (i.e., an initial public offering or a capitalization) within the preceding 18 months shall be adjusted in order to reflect net operating income on a fully ramped up basis and excluding any formation transaction costs.

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

(a) direct registered obligations of, and registered obligations the timely payment of principal of 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 backed by the full faith and credit of the United States of America;

(b) demand and time deposits in, and certificates of deposit of, bankers acceptances issued by, or federal funds sold by any depository institution or trust company (including the Trustee) organized under the laws of the United States of America or any state thereof and subject to the supervision and examination by federal and/or state banking authorities so long as the commercial paper and/or debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of "Aa2" by Moody's, "AA-" by Standard & Poor's and, if rated by Fitch, "AA-" by Fitch, in the case of debt obligations, or "P-1" by Moody's and, if rated by Fitch, "F1+" by Fitch or better, in the case of commercial paper and short-term debt obligations;

(c) registered securities bearing interest or sold at a discount issued by any corporation under the laws of the United States of America or any state thereof that have a credit rating of "Aa3" by Moody's, "AA-" by Standard & Poor's and, if rated by Fitch, "AA-" by Fitch at the time of such investment or contractual commitment providing for such investment;

(d) unleveraged repurchase obligations with respect to any security described in clause (a) above, entered into with a depository institution or trust company (acting as principal) described in clause (b) or entered into with a corporation (acting as principal) whose short-term debt has a credit rating of "P-1" by Moody's, "A-1+" by Standard & Poor's and, if rated by Fitch, "F1+" by Fitch or better at the time of such investment in the case of any repurchase obligation for a security having a maturity not more than 183 days from the date of its issuance or whose long-term debt has a credit rating of "Aa3" by Moody's, "AA-" by Standard & Poor's and, if rated by Fitch, "AA-" by Fitch or better at the time of such investment in the case of any

repurchase obligation for a security having a maturity more than 183 days from the date of its issuance;

(e) commercial paper or other short-term obligations having at the time of such investment a credit rating of "P-1" by Moody's, "A-1+" by Standard & Poor's and, if rated by Fitch, "F1+" by Fitch or better and either are bearing interest or are sold at a discount from the face amount thereof and that have a maturity of not more than 183 days from its date of issuance; *provided*, that in the case of commercial paper with a maturity of longer than 91 days, the issuer of such commercial paper (or, in the case of a principal depository institution in a holding company system, the holding company of such system), if rated by the Rating Agencies, must have at the time of such investment a long-term credit rating of "Aa2" by Moody's, "AA-" by Standard & Poor's and, if rated by Fitch, "AA-" by Fitch;

(f) offshore money market funds with respect to any investments described in clauses (a) through (e) above having, at the time of such investment, a credit rating of not less than "MR1+" and "Aaa" by Moody's, "AAAm" or "AAAm-G" by Standard & Poor's and, if rated by Fitch, "AAA" by Fitch; and

(g) interest-bearing demand cash accounts held at JPMorgan Chase Bank, National Association;

provided, that: (i) Eligible Investments purchased with funds in the Collection Account shall be held until maturity except as otherwise specifically provided herein and shall include only such obligations or securities as mature no later than the Business Day prior to the Distribution Date next succeeding the date of investment in such obligations or securities, unless such Eligible Investments are issued by the Trustee in its capacity as a banking institution, in which event such Eligible Investments may mature on such Distribution Date; (ii) Eligible Investments shall not have payments subject to foreign or United States withholding tax, shall not be subject to an Offer, shall not be "mortgage-backed securities," shall not have a Standard & Poor's rating which contains a subscript "r," "t," "p," "pi" or "q," shall not have all, or substantially all, of the remaining amounts payable thereunder consist of interest and not principal payments, shall not be purchased at a price greater than 100% of the principal or face amount thereof, and shall not, in the Collateral Manager's judgment, be subject to material noncredit related risks; and (iii) *provided, further,* that during the Ramp-Up Period, funds available in the Collection Account for investment in Collateral Debt Securities may be invested in Eligible Investments described in clause (b) above, as long as (A) the aggregate principal balance of such investments does not exceed 15% of the Aggregate Principal Balance of the Collateral Debt Securities and (B) the maturity of such investments does not exceed 10 years from the date on which such investment is made.

"*Equity Security*" means any security that does not entitle the holder thereto to receive periodic payments of interest and one or more installments of principal.

"Fitch Recovery Rate" means, with respect to any Defaulted Security on any Measurement Date, an amount equal to the percentage corresponding to the domicile, original rating, seniority and tranche thickness of such Defaulted Security, as applicable, as set forth on the Fitch Recovery Rate Matrix attached to the Indenture; *provided*, that the applicable percentage shall be the percentage corresponding to the most senior Outstanding Class of Notes then rated by Fitch.

"*Fixed Charge Coverage Ratio*" means, as of the last day of the preceding fiscal quarter determined (i) on a four quarter trailing basis, or (ii) with respect to the preceding fiscal quarter, whichever is greater, the ratio of (a) EBITDA of the Real Estate Entity and its subsidiaries determined on a Consolidated basis to (b) the sum of (i) Interest Expense of such Real Estate Entity and its subsidiaries

determined on a Consolidated basis and (ii) without duplication, for such Real Estate Entity and its subsidiaries, determined on a Consolidated basis, the aggregate amount of dividends paid or payable with respect to Preferred Interests that are not Qualified Preferred Stock, during such period. For the purpose of this definition, EBITDA of any Real Estate Entity that has completed a formation transaction (i.e., an initial public offering or a recapitalization) within the preceding 18 months shall be adjusted in order to reflect net operating income on a fully ramped up basis and excluding any formation transaction costs.

"*Fixed Payment Rate*" means the fixed rate that the Issuer agrees to pay to the related Hedge Counterparty under a Deemed Floating Rate Hedge Agreement at the time such agreement is executed.

"*GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Hedge Counterparty Ratings Requirement*" means, with respect to the Hedge Counterparty or any transferee thereof, (a) either (i) the rating of the short-term senior unsecured, unguaranteed and otherwise unsupported debt obligations of the related Hedge Ratings Determining Party or such transferee is at least "A-1" by Standard & Poor's or (ii) the rating of the long-term senior unsecured, unguaranteed and otherwise unsupported debt obligations of the related Hedge Ratings Determining Party or such transferee is at least "A+" by Standard & Poor's if the related Hedge Ratings Determining Party does not have a short-term rating, (b) (i) if the related Hedge Ratings Determining Party or such transferee has an unsecured, unguaranteed and otherwise unsupported long-term debt rating by Moody's, the rating of the long-term senior unsecured, unguaranteed and otherwise unsupported debt obligations of the related Hedge Ratings Determining Party or such transferee is at least "Aa3" (and is not on credit watch for possible downgrade) by Moody's or (ii) if the related Hedge Ratings Determining Party has both a long-term and a short-term rating, (x) the rating of the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of the related Hedge Ratings Determining Party or such transferee is at least "A1"(and is not on credit watch for possible downgrade) by Moody's and (y) the rating of the unsecured, unguaranteed and otherwise unsupported short-term senior debt obligations of the related Hedge Ratings Determining Party or such transferee (or any affiliate of such transferee that unconditionally and absolutely guarantees the obligations of such transferee hereunder) is "P-1" (and is not on credit watch for possible downgrade) by Moody's or (c) either (i) the rating of the long-term senior unsecured, unguaranteed and otherwise unsupported debt obligations of the related Hedge Ratings Determining Party or such transferee is at least "A" by Fitch if the related Hedge Ratings Determining Party or such transferee does not have a short-term rating by Fitch or (ii) the rating of the short-term senior unsecured, unguaranteed and otherwise unsupported debt obligations of the related Hedge Ratings Determining Party or such transferee is at least "F1" by Fitch.

"*Hedge Ratings Determining Party*" means, (a) unless clause (b) applies, the Hedge Counterparty or any transferee thereof or (b) any affiliate of the Hedge Counterparty or any transferee thereof that unconditionally and absolutely guarantees (with such form of guarantee satisfying Standard & Poor's then-current criteria with respect to guarantees) the obligations of the Hedge Counterparty or such transferee, as the case may be, under this Agreement. For the purpose of this definition, no direct or indirect recourse against one or more shareholders of the Hedge Counterparty or any such transferee (or against any Person in control of, or controlled by, or under common control with any such shareholder) shall be deemed to constitute a guarantee, security or support of the obligations of the Hedge Counterparty or any such transferee.

"Interest Coverage Tests" means the Class A/B Interest Coverage Test, the Class C Interest Coverage Test, the Class D Interest Coverage Test, the Class E Interest Coverage Test, the Class F/G Interest Coverage Test and/or the Class H Interest Coverage Test, as the context shall require.

"*Interest Excess*" means, the lesser of (i) U.S.$6,000,000 and (ii) the amount on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date (which is not required to be applied to purchase Collateral Debt Securities which the Issuer has committed to purchase); *provided* that, on the Ramp-Up Completion Date, the sum of the aggregate Principal Balance of the Collateral Securities which the Issuer has purchased or committed to purchase, *plus* the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account is greater than the Aggregate Ramp-Up Par Amount; *provided*, *however*, that the Interest Excess shall be zero if a Ramp-Up Ratings Confirmation Failure occurs.

"*Interest Expense*" means, for any related Real Estate Entity and each of its subsidiaries, for any period, the aggregate of all cash interest expense with respect to all outstanding Debt, as determined in accordance with GAAP for such period.

"*Interest Period*" means (a) in the case of the Class D-1 Notes, Class D-2 Notes and Class E-1 Notes, for so long as the Class D-1 Notes, Class D-2 Notes and Class E-1 Notes accrue interest at a fixed rate, as applicable, (i) in the case of the initial Interest Period, the period from, and including, the Closing Date to, but excluding, the 7th day of the month in which the first Distribution Date falls (irrespective of whether such day is a Business Day) and (ii) thereafter, the period from, and including, the date immediately following the last day of the immediately preceding Interest Period to, but excluding, the 7th day of the month in which the applicable Distribution Date falls (irrespective of whether such day is a Business Day) and (b) in the case of all other Rated Notes (including Class D-1 Notes, Class D-2 Notes and Class E-1 Notes after they begin to accrue interest at a floating rate), (i) in the initial Interest Period, the period from, and including, the Closing Date to, but excluding, the first Distribution Date, and (ii) thereafter, the period from, and including, the Distribution Date immediately following the last day of the immediately preceding Interest Period to, but excluding, the next succeeding Distribution Date; provided, that in the event that any date identified as a Distribution Date (other than a Redemption Date or at Stated Maturity) falls on a day other than a Business Day, the Distribution Date shall be deemed to be the next succeeding Business Day and (i) with respect to any Rated Notes (including Class D-1 Notes, Class D-2 Notes and Class E-1 Notes after they begin to accrue interest at a floating rate), other than as set forth in clause (ii) below, interest shall accrue on such payment for the period from and after any such identified date to such next succeeding Business Day and (ii) with respect to the Class D-1 Notes, Class D-2 Notes and Class E-1 Notes and interest on Defaulted Interest in respect thereof accruing (A) in respect of the Class D-1 Notes, during the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2016 and (B) in respect of the Class D-2 Notes and Class E-1 Notes, during the period from the Closing Date to the last day of the Interest Period ending immediately prior to the Distribution Date in August 2010, in each case, no interest shall accrue on such payment for the period from and after such identified date to such next succeeding Business Day.

"*Interest Proceeds*" means, with respect to any Due Period, the sum (without duplication) of: (i) all payments of interest with respect to any Pledged Security received during such Due Period, (ii) the Reinvestment Income, if any, representing interest or other earnings on amounts deposited in the Collection Account which is received during the related Due Period, (iii) the portion of any payments of interest received during the related Due Period on the Pledged Securities representing interest accrued prior to the date of purchase, (iv) all amendments and waiver fees, all late payment fees and all other fees and commissions received during the related Due Period (other than fees and commissions received in connection with Defaulted Securities and Deferred Interest Collateral Securities), (v) all payments received from the Semi-Annual Interest Reserve Account, (vi) all payments received pursuant to the Hedge Agreements including payments received up to the Distribution Date (excluding any payments received by reason of an event of default or termination event that are required to be used for the purchase of one or more replacement Hedge Agreements) less any deferred premium payments payable by the Issuer under the Hedge Agreements on the Distribution Date immediately following such Due Period,

(vii) all premiums (including call premiums from tender) received during such Due Period and (viii) if the aggregate par amount of the Collateral Debt Securities held by the Issuer is at least equal to the Aggregate Ramp-Up Par Amount, Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date in an amount equal to the Interest Excess; *provided*, that the Warehouse Accrued Interest and interest received on Defaulted Securities (other than interest received on the Defaulted Securities in excess of par) shall be excluded from this definition.

"*Investment Company Event*" means, with respect to any Trust Preferred Securities, the receipt by the applicable Real Estate Entity and its subsidiary Trust Preferred Securities Issuer of an opinion of counsel experienced in such matters to the effect that, as a result of a change in law or regulation or written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that such Trust Preferred Securities Issuer is or, within 90 days of the date of such opinion will be, considered an "investment company" that is required to be registered under the 1940 Act, which change becomes effective or would become effective, as the case may be, on or after the date of original issuance of the related Corresponding Debentures.

"*Measurement Date*" means: (i) the Ramp-Up Completion Date, (ii) any date after the Ramp-Up Completion Date on which the Issuer disposes of any Collateral Debt Security; (iii) any date after the Ramp-Up Completion Date on which a Collateral Debt Security becomes a Defaulted Security; (iv) each Determination Date; (v) the last Business Day of any calendar month ending after the Ramp-Up Completion Date (excluding any month preceding the month in which a Determination Date falls); and (vi) with two Business Days' notice to the Issuer and the Trustee, any other Business Day that the holders of more than 50% of the aggregate outstanding principal amount of any Class of Rated Notes requests to be a "Measurement Date"; *provided*, that if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the next succeeding Business Day.

"*Moody's Asset Correlation Factor*" means a percentage that is determined in accordance with any of the one or more asset correlation methodologies provided from time to time to the Collateral Manager and the Collateral Administrator by Moody's. As applied to the Collateral Debt Securities, the Moody's Asset Correlation Factor is a single number that measures concentrations among the Collateral Debt Securities in the Trust Estate in terms of both Collateral Debt Securities Issuer and geographical distribution. Studies have demonstrated the existence of strong regional influences in the U.S. economy. The Moody's Asset Correlation Factor has been taken into account in structuring the portfolio of Collateral Debt Securities.

"*Moody's Implied Weighted Average Rating Factor*" means, as of any Measurement Date, the number obtained by summing the products obtained by multiplying the Principal Balance of each Collateral Debt Security by its Moody's Rating Factor and dividing such sum by the aggregate Principal Balance of all such Collateral Debt Securities and rounding the result to the nearest whole number. For purposes of the Moody's Implied Weighted Average Rating Factor, the Principal Balance of a Defaulted Security and a Deferred Interest Collateral Debt Security will be excluded from the calculation thereof.

"Moody's Rating Factor" means, for purposes of computing the Moody's Implied Weighted Average Rating Factor for each Collateral Debt Security, the number assigned to such Collateral Debt Security in the Moody's Rating Factor Table set forth in the Indenture. If a Collateral Debt Security does not have a Moody's Rating, a pool-wide default probability, as determined by Moody's, shall be used.

"*Moody's Recovery Rate*" means, with respect to any Collateral Debt Security, per the Moody's Recovery Rate Matrix set forth in Schedule E of the Indenture, *provided, however* that if a Collateral Debt Security becomes a Defaulted Security or a Deferred Interest Collateral Debt Security and remains a Defaulted Security or a Deferred Interest Collateral Debt Security for a period of two years, its Moody's

Recovery Rate shall be zero. Notwithstanding the foregoing, the Moody's Recovery Rate for CMBS shall be determined in the manner specified in the Indenture.

"*Moody's Weighted Average Life*" means, as of the first Distribution Date and any Measurement Date occurring thereafter, the number obtained by dividing (i) the sum of the products obtained by multiplying (a) the Average Life of each Collateral Debt Security that is not a Defaulted Security at such time by (b) the outstanding Principal Balance of such Collateral Debt Security that is not a Defaulted Security at such time by (ii) the Aggregate Principal Balance of all Collateral Debt Securities that are not Defaulted Securities at such time. As of the first Distribution Date and any Measurement Date occurring thereafter, the "Average Life" is the quotient obtained by dividing (A) the sum of the product of (1) the number of years (rounded to the nearest hundredth) from the relevant Measurement Date to the respective dates of each successive scheduled distribution of principal of such Collateral Debt Security and (2) the respective amounts of the principal of such scheduled distributions by (B) the sum of all future scheduled distributions of principal of such Collateral Debt Security; *provided* that (x) at the sole discretion of the Collateral Manager and for a maximum of Collateral Debt Securities representing 2% of the aggregate Principal Balance of the Collateral Debt Securities, if a put option is exercisable at par on the principal of a Collateral Debt Security, the date of the last scheduled distribution of principal in respect of such Collateral Debt Security will be deemed to be the date as of which such put option is so exercisable and (y) if the security with respect to which such put option is exerciseable provides for more than one possible payment schedule, the schedule resulting in the largest Average Life will be used for this purpose (except as provided in (x) above).

"*Moody's Weighted Average Recovery Rate*" means, as of the first Distribution Date and any Measurement Date occurring thereafter, the number obtained by (i) summing the products obtained by multiplying the Principal Balance of each Collateral Debt Security by its Moody's Recovery Rate, (ii) dividing such sum by the Aggregate Principal Balance of all such Collateral Debt Securities and (iii) multiplying the result obtained in subclause (ii) by 100 and rounding up to the first decimal place. For purposes of the Moody's Weighted Average Recovery Rate, the Principal Balance of a Defaulted Security or a Deferred Interest Collateral Debt Security will be deemed to be equal to its outstanding Principal Balance.

"*Net Outstanding Portfolio Collateral Balance*" means, on any Measurement Date, the amount of the aggregate Principal Balance on such Measurement Date of all Collateral Debt Securities, plus (b) the aggregate Principal Balance of all Principal Proceeds and Uninvested Proceeds held as cash and Eligible Investments and any amount on deposit at such time in the Principal Collection Account or the Uninvested Proceeds Account, minus (c) the aggregate Principal Balance on such Measurement Date of all Collateral Debt Securities that are Defaulted Securities or Deferred Interest Collateral Debt Securities, plus (d) for each Defaulted Security or Deferred Interest Collateral Debt Security, the Calculation Amount with respect to such Defaulted Security or Deferred Interest Collateral Debt Security. For purposes of the Net Outstanding Portfolio Collateral Balance only and with respect to Collateral Debt Securities which are not Defaulted Securities or Deferred Interest Collateral Debt Securities: (i) unless clause (ii) below shall be operative with respect to a Real Estate Entity, to the extent that any two of the three REIT/REOC Coverage Tests reported by the Collateral Manager are not satisfied as of the Measurement Date with respect to any Real Estate Entity, the Principal Balance of the related Collateral Debt Security shall be deemed to be equal to 80% of the outstanding principal amount of such Collateral Debt Security; and (ii) to the extent any two Real Estate Entity Trigger Events occur with respect to any Real Estate Entity, the Principal Balance of the related Collateral Debt Security shall be deemed to be equal to 50% of the outstanding principal amount of such Collateral Debt Security.

"*Non-Qualified Termination Payments*" means any termination payment required to be made by the Issuer to the Hedge Counterparty pursuant to a Hedge Agreement in respect of which the Hedge

Counterparty is the "Defaulting Party" or the sole "Affected Party" (each as defined in the related Hedge Agreement); *provided*, that "Non-Qualified Termination Payments" shall not include any termination payment payable in connection with an early termination of a Hedge Agreement, in whole or in part, resulting from an "Illegality" (as such term is defined in such Hedge Agreement) or a "Tax Event" (as such term is defined in such Hedge Agreement) with respect to which the Hedge Counterparty is the sole "Affected Party."

"*Pledged Securities*" means, at any date of determination, the Collateral Debt Securities and the Eligible Investments in the Trust Estate.

"*Preferred Interests*" means, with respect to any Real Estate Entity, equity interests issued by such Real Estate Entity that are entitled to a preference or priority over any other equity interests issued by such Real Estate Entity upon any distribution of such Real Estate Entity's property and assets, whether by dividend or upon liquidation.

"*Principal Balance*" or "*par*" means, with respect to any Pledged Security, as of any date of determination, the outstanding principal amount of such Pledged Security; *provided*, that

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

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

(c) the Principal Balance of any Deferred Interest Collateral Debt Security shall be equal to the outstanding principal amount thereof (exclusive of any principal thereof representing capitalized interest);

(d) the Principal Balance of any Eligible Investment that does not pay cash interest on a current basis will be the accreted value of such Eligible Investment (as reported by the Collateral Manager to the Trustee on the date of purchase of such Eligible Investment); and

(e) the Principal Balance of any Collateral Debt Security in which the Trustee shall not have a perfected security interest, shall be deemed to be zero.

"*Principal Proceeds*" means, with respect to any Due Period, the sum (without duplication) of: (i) all principal payments (including prepayments) received during the related Due Period on the Pledged Securities (excluding Eligible Investments purchased with Interest Proceeds and excluding Uninvested Proceeds); (ii) all recoveries (excluding for purposes of this clause (ii), Sale Proceeds) on Defaulted Securities; (iii) all Sale Proceeds of any sale of any Equity Security, Defaulted Security or Credit Impaired Security, (iv) any proceeds resulting from the termination and liquidation of the Hedge Agreements received during such Due Period, to the extent such proceeds exceed the cost of entering into one or more replacement Hedge Agreements in accordance with the requirements set forth in the Indenture, in the event any Hedge Agreement or replacement Hedge Agreement is entered into; (v) any net proceeds of the issuance and sale of the Notes and the Combination Notes not used to purchase Collateral Debt Securities and not deposited in the Expense Account or the Uninvested Proceeds Account as of the Closing Date; (vi) notwithstanding clause (i) above, any Uninvested Proceeds on deposit in the

Payment Account following a Ramp-Up Ratings Confirmation Failure, to the extent such funds are in excess of the amount of Uninvested Proceeds that must be used to make payments in respect of principal on the Rated Notes in order to obtain a Ratings Confirmation; (vii) notwithstanding clause (i) above, if a Ratings Confirmation occurs, Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date (other than any such Uninvested Proceeds to be used to complete the purchase of Collateral Debt Securities and any Interest Excess to be applied as Interest Proceeds); (viii) any other payments (including Call Premiums) received with respect to the Collateral and not included in Interest Proceeds; and (ix) any other amount provided by the Issuer to the Trustee for inclusion in Principal Proceeds.

"*Qualified Preferred Stock*" shall mean any Preferred Interest of the related Real Estate Entity in respect of which no dividends thereon (other than dividends payable solely in kind) shall be required to be paid at any time or to the extent that such payment would be prohibited by the terms of any credit agreement, and that is not redeemable prior to the tenth anniversary of the effective date under such credit agreement under any circumstance.

"*Qualified Termination Payments*" means any termination payments payable under the applicable Hedge Agreements, other than Non-Qualified Termination Payments.

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

"*Rating Condition*" means, with respect to any action taken or to be taken under the Indenture, a condition that is satisfied when each Rating Agency (or, if only one Rating Agency is specified, such Rating Agency) has confirmed in writing to the Issuer, the Trustee, each Hedge Counterparty and the Collateral Manager that such action will not result in the withdrawal, reduction or other adverse action with respect to its then-current rating (including any private or confidential rating) of any Class of Rated Notes or Combination Notes; *provided*, that, with respect to any action that requires that the Rating Condition be satisfied by Standard & Poor's and Moody's, but not Fitch, the Issuer shall provide (or shall cause the Collateral Manager to provide) Fitch with written notice of such action within 30 days thereof.

"*Ratings Threshold*" means, with with respect to the Hedge Counterparty or any transferee thereof, (a)(i) the rating of the long-term senior unsecured, unguaranteed and otherwise unsupported debt obligations of the related Hedge Ratings Determining Party or such transferee (or any affiliate of such transferee that unconditionally and absolutely guarantees the obligations of such transferee under the related Hedge Agreement) is withdrawn, suspended or falls below "BBB-" by Standard & Poor's or (ii) the rating of the short-term, unsecured, unguaranteed and otherwise unsupported debt obligations of the related Hedge Ratings Determining Party or such transferee (or any affiliate of such transferee that unconditionally and absolutely guarantees the obligations of such transferee under the related Hedge Agreement) is withdrawn, suspended or falls below "A-3" by Standard & Poor's or (b)(i) if the related Hedge Ratings Determining Party or such transferee (or any affiliate of such transferee that unconditionally and absolutely guarantees the obligations of such transferee under the related Hedge Agreement) has an unsecured, unguaranteed and otherwise unsupported long-term debt rating by Moody's (and not a short-term rating), the rating of the long-term senior unsecured, unguaranteed and otherwise unsupported debt obligations of the related Hedge Ratings Determining Party or such transferee (or any affiliate of such transferee that unconditionally and absolutely guarantees the obligations of such transferee under the related Hedge Agreement) is withdrawn, suspended or falls to or below "A2" by Moody's or (ii) if the related Hedge Ratings Determining Party or such transferee (or any affiliate of such transferee that unconditionally and absolutely guarantees the obligations of such transferee under the related Hedge Agreement) has both a long-term and a short-term rating, (x) the rating of the unsecured,

unguaranteed and otherwise unsupported long-term senior debt obligations of the related Hedge Ratings Determining Party or such transferee (or any affiliate of such transferee that unconditionally and absolutely guarantees the obligations of such transferee under the related Hedge Agreement) falls to or below "A3" by Moody's and (y) the rating of the unsecured, unguaranteed and otherwise unsupported short-term senior debt obligations of the related Hedge Ratings Determining Party or such transferee (or any affiliate of such transferee that unconditionally and absolutely guarantees the obligations of such transferee under the related Hedge Agreement) falls to or below "P-2" by Moody's or (c)(i) the rating of the long-term senior unsecured, unguaranteed and otherwise unsupported debt obligations of the related Hedge Ratings Determining Party or such transferee (or any affiliate of such transferee that unconditionally and absolutely guarantees the obligations of such transferee under the related Hedge Agreement) is withdrawn, suspended or falls below "BBB+" by Fitch or (ii) the rating of the short-term, unsecured, unguaranteed and otherwise unsupported debt obligations of the related Hedge Ratings Determining Party or such transferee (or any affiliate of such transferee that unconditionally and absolutely guarantees the obligation of such transferee under the related Hedge Agreement) is withdrawn, suspended or falls below "F2" by Fitch.

"*Reg Y Institution*" means any holder of the Income Notes that is, or is controlled by a person that is, subject to the provisions of Regulation Y of the Board of Governors of the Federal Reserve System of the United States or any successor to such regulation, but excludes, in any event, (a) any "qualifying foreign banking organization" within the meaning of Regulation Y of the Board of Governors of the Federal Reserve System (12 C.F.R. Section 211.23) that has booked its investment in the Income Notes outside the United States and (b) any financial holding company or subsidiary of a financial holding company authorized to engage in merchant banking activities pursuant to Section 4(k)(4)(H) of the Bank Holding Company Act of 1956, as amended.

"*Real Estate Entity Trigger Event*" means, with respect to any Real Estate Entity, the occurrence of any of the following events:

(i) the failure by the related REIT to pay dividends on its common stock for two consecutive calendar quarters so long as such distribution is required for purposes of satisfying Section 856 through 860 (or any successor sections thereto) of the Code;

(ii) the failure to maintain a Fixed Charge Coverage Ratio of 1:1 or more as of each Measurement Date; and

(iii) the failure to cure any monetary default with respect to any indebtedness owed by the related Real Estate Entity within 30 days of the occurrence of the same.

"*Reinvestment Income*" means any interest or other earnings on Eligible Investments in the Collection Accounts, including any amount representing the accreted portion of a discount from the face amount of an Eligible Investment and all payments of principal, including prepayments, on Eligible Investments purchased with amounts from the Interest Collection Account.

"*REIT/REOC Coverage Tests*" means the REIT/REOC Interest Coverage Test, the Total Debt to Total Capitalization Test and the Tangible Net Worth Test.

"*REIT/REOC Interest Coverage Ratio*" means, as of the last day of the preceding fiscal quarter, determined (i) on a four quarter trailing basis, or (ii) with respect to the preceding fiscal quarter, whichever is greater, the ratio of (a) EBITDA of the related Real Estate Entity and its subsidiaries determined on a Consolidated basis to (b) Interest Expense of such Real Estate Entity and its subsidiaries determined on a Consolidated basis during such period.

"*REIT/REOC Interest Coverage Test*" means a test that is satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the REIT/REOC Interest Coverage Ratio is equal to or greater than (i) 1.5:1 with respect to equity Real Estate Entities and (ii)1.35:1 with respect to mortgage Real Estate Entities.

"*Rule 3a-7 Person*" means persons (other than any rating organization rating the Issuer's securities) involved in the organization or operation of the Issuer or an affiliate, as defined in Rule 405 under the Securities Act, of such a person.

"*Sale Proceeds*" means all proceeds received from the sale or other disposition of any Credit Impaired Security, Defaulted Security or any Equity Security net of any reasonable amounts expended by the Collateral Administrator or the Trustee in connection with such sale or other disposition.

"*Standard & Poor's Break-Even Default Rate*" means, at any time, the maximum percentage of defaults which the Standard & Poor's Current Portfolio or the Standard & Poor's Proposed Portfolio, as applicable, can sustain (as determined by the Standard & Poor's CDO Monitor), which after giving effect to Standard & Poor's assumptions on recoveries and timing and to the Priority of Payments will result in insufficient funds remaining for the payment of the Class A Notes and the Class B Notes in full by their Stated Maturity and the timely payment of interest on the Class A Notes and the Class B Notes, as determined by Standard & Poor's.

"*Standard & Poor's Current Portfolio*" means the portfolio (measured by principal balance) of Collateral Debt Securities and the proceeds of the disposition thereof held as cash and Eligible Investments purchased with the proceeds of the disposition of Collateral Debt Securities, existing immediately prior to the sale, maturity or other disposition of a Collateral Debt Security or immediately prior to the acquisition of a Collateral Debt Security, as the case may be.

"*Standard & Poor's Loss Differential*" means, at any time, the rate calculated by subtracting the Standard & Poor's Scenario Default Rate from the Standard & Poor's Break-Even Default Rate at such time.

"*Standard & Poor's Proposed Portfolio*" means the portfolio (measured by principal balance) of Collateral Debt Securities and the proceeds of the disposition thereof held as cash and Eligible Investments purchased with the proceeds of the disposition of Collateral Debt Securities resulting from the sale, maturity or other disposition of a Collateral Debt Security or a proposed purchase of a Collateral Debt Security, as the case may be.

"*Standard & Poor's Recovery Rate*" means, with respect to any Collateral Debt Security on any Measurement Date, an amount equal to the percentage for such Collateral Debt Security set forth in the Standard & Poor's recovery rate matrix set forth in the Indenture in (x) the table applicable to the ratings assigned on the Closing Date to each rated Class of Notes then rated by Standard & Poor's and (y) the row in such table opposite the actual rating by Standard & Poor's of such Collateral Debt Security on such Measurement Date.

"*Standard & Poor's Scenario Default Rate*" means, at any time, an estimate of the cumulative default rate for the Standard & Poor's Current Portfolio or the Standard & Poor's Proposed Portfolio, as applicable, consistent with a "AAA" rating by Standard & Poor's with respect to the Class A Notes and the Class B Notes, determined by application of the Standard & Poor's CDO Monitor at such time.

"*Tangible Net Worth*" means as of any Measurement Date, the greater of (i) undepreciated book value or (ii) fair market value of the total amount of assets of a Real Estate Entity and its subsidiaries on a

Consolidated basis, plus any debt subordinate to the applicable Collateral Debt Security, less (i) intangible assets and (ii) total liabilities of such Real Estate Entity and its subsidiaries (excluding any debt subordinate to the applicable Collateral Debt Security), determined using (A) the average on a four quarter trailing basis, or (B) such amount as of the end of the preceding fiscal quarter of such Real Estate Entity whichever is greater, all as reflected in the balance sheet of such Real Estate Entity and its subsidiaries as of the end of the most recently ended fiscal quarter, as determined by the Collateral Manager.

"*Tangible Net Worth Test*" means a test that is satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Tangible Net Worth is equal to or greater than U.S.$75,000,000.

"*Total Capitalization*" means, with respect to any Real Estate Entity and its subsidiaries on a Consolidated basis, as of the last day of the preceding fiscal quarter of such Real Estate Entity and its subsidiaries, the sum of: (a) the Total Debt as of such day plus (b) the greater of (i) the net worth (the greater of book or market value) of such Real Estate Entity (on a consolidated basis) as of such day or (ii) the product of (A) the total number of common shares issued and outstanding and (B) the closing price per share as of such day plus (c) without duplication of clause (b), the sum of minority interests in other Persons held by such Real Estate Entity (on a consolidated basis) plus (d) without duplication of clause (b), Preferred Interests as of such day.

"*Total Debt*" means, with respect to any Real Estate Entity and its subsidiaries on a Consolidated basis, as of the last day of the preceding fiscal quarter of such Real Estate Entity and its subsidiaries, the aggregate outstanding principal amount of Debt of such Real Estate Entity (on a consolidated basis) as of such day. For the purpose of this definition, Total Debt shall not include the Collateral Debt Security or any substantially similar security issued by such Real Estate Entity.

"*Total Debt to Total Capitalization Ratio*" means, as of any Measurement Date, the ratio (expressed as a decimal) of: (a) the Total Debt minus cash and other unencumbered assets as of such day to (b) the Total Capitalization as of such day, in each case determined as of the last day of the most recently ended fiscal quarter of the related Real Estate Entity using (i) the average on a four quarter trailing basis or (ii) such ratio as of the last day of such preceding fiscal quarter, whichever is lesser.

"*Total Debt to Total Capitalization Test*" means a test that is satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Total Debt to Total Capitalization Ratio is equal to or less than (i) 0.75:1 with respect to equity Real Estate Entities and (ii) 0.95:1 with respect to mortgage Real Estate Entities.

"*Trust Estate*" means all of the assets of the Issuer in which a security interest is granted to the Trustee pursuant to the Indenture.

"*Trust Preferred Securities Special Event*" means, with respect to any Trust Preferred Securities, a Trust Preferred Securities Tax Event, an Investment Company Event or a Capital Treatment Event applicable to such Trust Preferred Securities.

"*Trust Preferred Securities Tax Event*" means, with respect to any Trust Preferred Securities, the receipt by the applicable REIT and its subsidiary Trust Preferred Securities Issuer of an opinion of counsel experienced in such matters to the effect that, as a result of any amendment to or change (including any announced prospective change) in the laws or any regulations thereunder of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement (including any private letter ruling, technical advice memorandum,

regulatory procedure, notice or announcement (an "Administrative Action")) or judicial decision interpreting or applying such laws or regulations, regardless of whether such Administrative Action or judicial decision is issued to or in connection with a proceeding involving such REIT or such Trust Preferred Securities Issuer and whether or not subject to review or appeal, which amendment, clarification, change, Administrative Action or decision is enacted, promulgated or announced, in each case on or after the date of original issuance of the related Corresponding Debentures, there is more than an insubstantial risk that: (a) such Trust Preferred Securities Issuer is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to income received or accrued on such Corresponding Debentures; (b) interest payable by such REIT on such Corresponding Debentures is not, or within 90 days of the date of such opinion, will not be, deductible by such REIT, in whole or in part, for United States federal income tax purposes; or (c) such Trust Preferred Securities Issuer is, or will be within 90 days of the date of such opinion, subject to or otherwise required to pay, or required to withhold from distributions to holders of such Trust Preferred Securities, more than a de minimis amount of other taxes (including withholding taxes), duties, assessments or other governmental charges.

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

"*Uninvested Proceeds*" means, at any time, the net proceeds received by the Issuer on the Closing Date from the initial issuance of the Notes and the Combination Notes, to the extent such proceeds have not been deposited into the Expense Account or invested in Collateral Debt Securities in accordance with the terms of the Indenture.

"*Unscheduled Principal Proceeds*" means Principal Proceeds that are not regularly scheduled payments of Principal Proceeds, including (without limitation) Principal Proceeds received as a result of a permitted prepayment of a Collateral Debt Security.

"*USD-ISDA-Swap Rate*" means that the rate for a reset date will be the rate for U.S. Dollar swaps with a maturity of the designated maturity, expressed as a percentage, which appears on the Reuters Screen ISDAFIXI Page as of 11:00 a.m., New York City time, on the day that is two Business Days preceding that reset date. If such rate does not appear on the Reuters Screen ISDAFIXI Page, the rate for that reset date will be a percentage determined on the basis of mid-market semi-annual swap rate quotations provided by the Trustee at approximately 11:00 a.m. New York City time, on the day that is two Business Days preceding that reset date.

"*Voting Income Notes*" of a holder of the Income Notes at any time means (a) for each holder of the Income Notes other than a Reg Y Institution, the principal amount of Income Notes held by such holder of the Income Notes at such time and (b) for any Reg Y Institution, an amount equal to the lesser of (i) the number of Income Notes held by such holder of the Income Notes at such time and (ii) 4.99% of the aggregate number of Income Notes held by all holders of the Income Notes at such time.

"*Voting Percentage*" a holder of the Income Notes at any time means the ratio (expressed as a percentage) of such holder's Voting Income Notes to the aggregate Voting Income Notes of all holders of the Income Notes at such time.

"*Warehouse Accrued Interest*" means the interest accrued on the Collateral Debt Securities as of the Closing Date, but paid after the Closing Date, in respect of the Collateral Debt Securities which, pursuant to the terms of the Indenture and the Warehouse Accrued Interest Agreement (i) shall not at any

time be included in Interest Proceeds or the Collateral, and (ii) has been assigned, and will be paid, by the Issuer to Kodiak Warehouse LLC.

"*Warehouse Accrued Interest Agreement*" means the Warehouse Accrued Interest Agreement, dated as of September 19, 2006, among the Issuer, the Collateral Manager and Kodiak Warehouse LLC.

"*Weighted Average Coupon*" means, as of any date of determination, the fraction (expressed as a percentage) obtained by (i) multiplying the principal balance of each fixed rate Collateral Debt Security (excluding hybrids) or Deemed Fixed Rate Collateral Debt Securities by the Current Coupon, (ii) summing the amounts determined pursuant to clause (i) for all fixed rate Collateral Debt Securities held by the Issuer as of such date of determination, and (iii) dividing such sum by the aggregate principal balance of all fixed rate Collateral Debt Securities (excluding hybrids) or Deemed Fixed Rate Collateral Debt Securities held by the Issuer as of such date of determination. For fixed rate Collateral Debt Securities, if any, whose fixed rate changes over the life of such fixed rate Collateral Debt Security, the per annum rate of interest for purposes of calculating the Weighted Average Coupon shall be the current interest rate on such fixed rate Collateral Debt Security. For Deferred Interest Collateral Debt Securities and Defaulted Securities, the Current Coupon shall be zero for the purposes of calculating the Weighted Average Coupon.

"*Weighted Average Hybrid Coupon*" means, as of any date of determination, the fraction (expressed as a percentage) obtained by (a) multiplying the principal balance of each fixed/floating rate Collateral Debt Security that by its terms bears interest at a fixed rate for up to five years or up to ten years, after which it bears interest at a floating spread (the "Five Year Collateral" and "Ten Year Collateral," respectively) by the fixed coupon thereof, (b) summing the amounts determined pursuant to clause (a) for all Five Year Collateral and Ten Year Collateral held by the Issuer as of such date of determination, and (c) dividing such sum by the aggregate principal balance of all Five Year Collateral and Ten Year Collateral held by the Issuer as of such date of determination. For the avoidance of doubt, Five Year Collateral and Ten Year Collateral will not apply to this definition after they are no longer bearing a fixed rate of interest. For Deferred Interest Collateral Debt Securities and Defaulted Securities, the current interest rate shall be zero for the purposes of calculating the Weighted Average Hybrid Coupon.

"*Weighted Average Life*" means, as of any Measurement Date with respect to any Collateral Debt Securities (excluding all Defaulted Securities and Deferred Interest Collateral Debt Securities), the number obtained by (a) summing the products obtained by multiplying (i) the average life at such time of each such Collateral Debt Security by (ii) the outstanding Principal Balance of such Collateral Debt Security and (b) dividing such sum by the Aggregate Principal Balance at such time of all such Collateral Debt Securities.

"*Weighted Average Spread*" means, as of any date or determination, a fraction (expressed as a percentage) obtained by (i) multiplying the principal balance of each floating rate Collateral Debt Security which will include hybrid Collateral Debt Securities at the Current Spread once the hybrid Collateral Debt Securities begin paying the floating rate or Deemed Floating Rate Collateral Debt Security by the Current Spread, (ii) summing the amounts determined pursuant to clause (i) for all floating rate Collateral Debt Securities or Deemed Floating Rate Collateral Debt Securities held by the Issuer as of such date of determination and (iii) dividing such sum by the aggregate principal balance of the floating rate Collateral Debt Securities or Deemed Floating Rate Collateral Debt Securities held by the Issuer as of such date of determination. For floating rate Collateral Debt Securities, if any, that provide for the payment of interest only after the expiration of a specified period or that by their terms provide for the payment of interest at a rate that increases after the expiration of a specified period of time prior to its maturity, the per annum rate of interest for purposes of calculating the Weighted Average Spread shall be the Current Spread on

such floating rate Collateral Debt Security. For Collateral Debt Securities that bear interest at a fixed rate until a specified date and then bear interest at a floating rate thereafter, the per annum rate of interest for purposes of calculating the Weighted Average Spread shall be the floating rate at which such Collateral Debt Security will eventually bear interest, as if such rate were in effect on the date of determination. For Deferred Interest Collateral Debt Securities and Defaulted Securities, the Current Spread shall be zero for the purposes of calculating Weighted Average Spread.

ANNEX B

INDEX OF DEFINED TERMS

PRINCIPAL OFFICES OF THE CO-ISSUERS

ISSUER

KODIAK CDO I, LTD.
c/o Walkers SPV Limited
P.O. Box 908 GT
Walker House, Mary Street
George Town
Grand Cayman, Cayman Islands
British West Indies

CO-ISSUER

KODIAK CDO I, INC.

c/o Puglisi & Associates
850 Library Avenue, Suite 204
Newark, Delaware 19711

IRISH LISTING AGENT AND IRISH PAYING AGENT

RSM Robson Rhodes LLP
RSM House
Herbert Street
Dublin 2, Ireland

TRUSTEE, NOTE PAYING AGENT AND NOTE REGISTRAR

JPMorgan Chase Bank, National Association
600 Travis, 50th Floor
Houston, Texas 77002

COLLATERAL MANAGER

Kodiak CDO Management LLC
2107 Wilson Boulevard, Suite 400
Arlington, Virginia 22201

LEGAL ADVISORS

To the Placement Agents

Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019

As to Cayman Islands Law

Walkers
P.O. Box 265GT
Walker House
Mary Street
George Town, Grand Cayman
Cayman Islands, British West Indies

To the Issuer and Collateral Manager

Mayer, Brown, Rowe & Maw LLP
1675 Broadway
New York, New York 10019

KODIAK CDO I, LTD.
KODIAK CDO I, INC.

U.S.$338,500,000 Class A-1 First Priority Senior Secured Floating Rate Notes Due 2037

U.S.$103,500,000 Class A-2 Second Priority Senior Secured Floating Rate Notes Due 2037

U.S.$83,000,000 Class B Third Priority Senior Secured Floating Rate Notes Due 2037

U.S.$30,000,000 Class C Fourth Priority Secured Deferrable Floating Rate Notes Due 2037

U.S.$13,000,000 Class D-1 Fifth Priority Secured Deferrable Fixed/Floating Rate Notes Due 2037

U.S.$5,000,000 Class D-2 Fifth Priority Secured Deferrable Fixed/Floating Rate Notes Due 2037

U.S.$29,000,000 Class D-3 Fifth Priority Secured Deferrable Floating Rate Notes Due 2037

U.S.$5,000,000 Class E-1 Sixth Priority Secured Deferrable Fixed/Floating Rate Notes Due 2037

U.S.$29,000,000 Class E-2 Sixth Priority Secured Deferrable Floating Rate Notes Due 2037

U.S.$7,000,000 Class F Seventh Priority Secured Deferrable Floating Rate Notes Due 2037

U.S.$50,000,000 Class G Eighth Priority Secured Deferrable Floating Rate Notes Due 2037

U.S.$27,000,000 Class H Ninth Priority Secured Deferrable Floating Rate Notes Due 2037

U.S.$54,700,000 Income Notes Due 2037

U.S.$28,000,000 Combination Notes Due 2037

OFFERING CIRCULAR

September 27, 2006

Barclays Capital
Sole Lead Manager and Sole Bookrunner

Descap Securities
Co-Manager