OFFERING CIRCULAR

U.S.$33,500,000 Fixed Rate Class A-X Notes Due September 22, 2011
U.S.$321,000,000 Floating Rate Class A-FP Senior Notes Due December 22, 2036
U.S.$544,000,000 Floating Rate Class A-1 Senior Notes Due December 22, 2036
U.S.$141,000,000 Floating Rate Class A-2 Senior Notes Due December 22, 2036
U.S.$57,600,000 Floating Rate Class B-FP Mezzanine Notes Due December 22, 2036
U.S.$67,400,000 Floating Rate Class B-1 Mezzanine Notes Due December 22, 2036
U.S.$31,000,000 Fixed/Floating Rate Class B-2 Mezzanine Notes Due December 22, 2036
U.S.$52,800,000 Floating Rate Class C-FP Mezzanine Notes Due December 22, 2036
U.S.$81,200,000 Floating Rate Class C-1 Mezzanine Notes Due December 22, 2036
U.S.$28,000,000 Fixed/Floating Rate Class C-2 Mezzanine Notes Due December 22, 2036
U.S.$35,050,000 Floating Rate Class D-FP Mezzanine Notes Due December 22, 2036
U.S.$72,500,000 Floating Rate Class D-1 Mezzanine Notes Due December 22, 2036
U.S.$95,500,000 Subordinate Income Notes Due December 22, 2036
Preferred Term Securities XXIII, Ltd.
Preferred Term Securities XXIII, Inc.

The Notes listed above will be issued by Preferred Term Securities XXIII, Ltd. (the "**Issuer**"), a newly formed exempted company incorporated with limited liability under the laws of the Cayman Islands, on a non-recourse basis as described herein. The Class A-X Notes, the Senior Notes and the Mezzanine Notes will be co-issued by Preferred Term Securities XXIII, Inc. (the "**Co-Issuer**" and, together with the Issuer, the "**Co-Issuers**"), a newly incorporated Delaware corporation, on a non-recourse basis as described herein. The proceeds of the offering of the Notes will be applied by the Issuer (a) to purchase on or about the Closing Date 121 capital securities issued by issuers related to (or issued directly by) depository institutions with an aggregate par amount of U.S.$1,129,300,000 comprising (i) 108 capital securities issued by wholly-owned trust subsidiaries of 107 depository institution holding companies (the "**PreTS[sm]**"), (ii) six subordinated debentures issued by five depository institutions and one depository institution holding company (the "**Subordinated Debentures**") and (iii) seven capital securities issued by wholly-owned trust subsidiaries of depository institution holding companies, which will be acquired by the Issuer in the secondary market (the "**Trust Preferred Depository Institution Secondary Market Securities**" or "**Trust Preferred D-SMS**" and, together with the PreTS[sm] and the Subordinated Debentures, the "**D-Capital Securities**"); (b) to purchase on or about the Closing Date 12 capital securities issued by issuers related to (or issued directly by) insurance companies with an aggregate par amount of U.S.$272,700,000 comprising (i) two capital securities issued by wholly-owned trust subsidiaries of insurance holding companies (the "**I-PreTS[sm]**"), (ii) three debt securities issued by insurance holding companies (the "**Insurance Debt Securities"** or "**I-DS**"), (iii) two surplus notes issued by insurance companies (the "**Surplus Notes**") and (iv) five capital securities issued by one insurance company and four insurance holding companies, which will be acquired by the Issuer in the secondary market (the "**Insurance Secondary Market Securities**" or "**I-SMS**" and, together with the I-PreTS[sm], the I-DS, and the Surplus Notes, the "**I-Capital Securities**"), (c) to purchase on or about the Closing Date three capital securities with an aggregate par amount of U.S.$65,000,000 issued by wholly-owned trust subsidiaries of two real estate investment trusts (the "**R-PreTS[sm]**" and, together with the D-Capital Securities and the I-Capital Securities, the "**Capital Securities**"), (d) to make the Reserve Account Deposit, (e) to purchase the Reserve Account Strip that will be deposited in the Reserve Account and (f) to pay organizational expenses and the expenses of the issuance of the Notes. The Capital Securities will be pledged to secure the Notes and, on the Closing Date, will be required, to the extent specified herein, to satisfy certain criteria described herein. Capitalized terms are used as defined herein.

(*cover continued on next page*)

For certain factors to be considered in connection with an investment in the Notes, see "Notices to Purchasers" and "Risk Factors".

THE NOTES DO NOT REPRESENT AN INTEREST IN OR OBLIGATION OF, AND ARE NOT INSURED OR GUARANTEED BY, EITHER OF THE PLACEMENT AGENTS, THE TRUSTEE, THE SHARE TRUSTEE, THE ADMINISTRATOR, ANY CAPITAL SECURITIES ISSUER, ANY AFFILIATED HC, ANY REIT CORRESPONDING DEBENTURE ISSUER OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS OR OFFICIALS OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY AFFILIATES OF THE CO-ISSUERS. THE NOTES ARE NOT DEPOSITS OR ACCOUNTS OF ANY BANK AND ARE NOT INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, ANY INSURANCE FUND, ANY INSURANCE REGULATORY AUTHORITY OR ANY OTHER GOVERNMENTAL ENTITY. THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), NOR HAS EITHER OF THE CO-ISSUERS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE CLASS A-X NOTES AND THE SENIOR NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO U.S. PERSONS ("U.S. PERSONS") (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT TO QUALIFIED PURCHASERS ("QUALIFIED PURCHASERS") (WITHIN THE MEANING OF SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER) WHO ARE ALSO QUALIFIED INSTITUTIONAL BUYERS ("QUALIFIED INSTITUTIONAL BUYERS") (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT). THE MEZZANINE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO U.S. PERSONS, EXCEPT TO QUALIFIED PURCHASERS WHO ARE ALSO EITHER QUALIFIED INSTITUTIONAL BUYERS OR INSTITUTIONAL ACCREDITED INVESTORS ("INSTITUTIONAL ACCREDITED INVESTORS") (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT). THE INCOME NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO U.S. PERSONS EXCEPT TO QUALIFIED PURCHASERS WHO ARE ALSO EITHER QUALIFIED INSTITUTIONAL BUYERS OR "ACCREDITED INVESTORS" (AS DEFINED IN RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT). THE NOTES MAY BE SOLD TO NON-U.S. PERSONS IN TRANSACTIONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT. FOR CERTAIN RESTRICTIONS ON TRANSFER, SEE "TRANSFER RESTRICTIONS".

The Class A-X Notes, the Senior Notes and the Mezzanine Notes are offered by the Co-Issuers, and the Income Notes are offered by the Issuer, in each case, through FTN Financial Capital Markets, a division of First Tennessee Bank National Association, and Keefe, Bruyette & Woods, Inc., as placement agents (in such capacity, severally, the "**Placement Agents**"), to prospective purchasers from time to time in negotiated transactions at varying prices to be determined in each case at the time of sale. The Notes are offered when, as and if issued, subject to prior sale or withdrawal, cancellation or modification of the offer without notice and subject to approval of certain legal matters by counsel and certain other conditions. It is expected that delivery of the Notes will be made on September 21, 2006 (the "**Closing Date**"), against payment therefor in immediately available funds.

FTN Financial Capital Markets
Placement Agent

Keefe, Bruyette & Woods, Inc.
Placement Agent

September 22, 2006

It is a condition of issuance of the Notes that the Class A-X Notes and each class of Senior Notes be rated "Aaa" by Moody's Investors Service, Inc. ("**Moody's**"), "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") and "AAA" by Fitch Ratings ("**Fitch**"), that each class of Class B Mezzanine Notes be rated at least "Aa2" by Moody's and at least "AA" by Fitch, that each class of Class C Mezzanine Notes be rated at least "A3" by Moody's and at least "A-" by Fitch and that the Class D Mezzanine Notes be rated at least "BBB" by Fitch. The Income Notes will not be rated.

Application has been made to the Irish Financial Services Regulatory Authority ("**IFSRA**"), as competent authority under Directive 2003/71/EC, for the Offering Circular to be approved. Application has been made to the Irish Stock Exchange ("**ISE**") for the Class A-X Notes, the Senior Notes and the Mezzanine Notes to be admitted to the Official List and to trading on its regulated market. Such approval will relate only to the Class A-X Notes, the Senior Notes and the Mezzanine Notes which are to be admitted to trading on the regulated market of the ISE or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area. There can be no assurance that such listing or admission to trading will be granted. This Offering Circular constitutes a "Prospectus" for purposes of Directive 2003/71/EC.

NOTICES TO PURCHASERS

The Notes have not been and will not be registered under the Securities Act, the securities laws of any state of the United States or the securities laws of any other jurisdiction and may not be offered, sold or otherwise transferred unless an exemption from registration under the Securities Act and applicable securities laws of such state or other jurisdiction is available. The Notes are also subject to certain other restrictions on transfer described under "Transfer Restrictions". Prospective purchasers of the Notes must be able to hold their investment for an indefinite period of time.

The Class A-X Notes, the Senior Notes and the Mezzanine Notes are non-recourse obligations of the Co-Issuers and the Income Notes are non-recourse obligations of the Issuer. Principal of and interest on the Notes will be paid solely from and to the extent of the available proceeds from (i) the collections on the Capital Securities, including reinvestment income, pledged to secure the Notes, (ii) the single payment due on the Reserve Account Strip on its maturity date, (iii) the Reserve Account Deposit and (iv) payments, if any, under the Hedge Agreements. No other sources are available for the payment of principal of, interest on and other amounts payable in respect of the Notes.

For these reasons, among others, an investment in the Notes is not suitable for all investors and is appropriate only for an investor capable of (a) analyzing the risks associated with defaults, losses and recoveries on, and other characteristics of, instruments such as the Capital Securities and (b) bearing such risks and the financial consequences thereof as they relate to an investment in the Notes.

Except as set forth in this Offering Circular, no person is authorized to give any information or to make any representation not contained in this Offering Circular and, if given or made, such information or representation must not be relied upon. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any of the Notes offered hereby in any jurisdiction to any person to which it is unlawful to make such offer in such jurisdiction.

The Issuer and the Co-Issuer accept responsibility for the information contained in this Offering Circular (except as provided in the following paragraph). To the best of the knowledge and belief of the Issuer and Co-Issuer, the information contained herein (except as provided in the following paragraph) is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information relating to the Hedge Providers has been received from the respective Hedge Providers, and has been accurately reproduced. So far as the Issuer and the Co-Issuer are aware and are able to ascertain, no facts have been omitted from such information received which would render such information misleading. The Co-Issuers have taken reasonable care to ensure that facts stated in this Offering Circular are true and accurate in all material respects and that there have not been omitted material facts the omission of which would make misleading any statements of fact or opinion herein.

No representation or warranty, express or implied, is made by the Placement Agents named in this Offering Circular or any of their respective affiliates as to the accuracy or completeness of the information in this Offering Circular. The Placement Agents do not assume any responsibility for the accuracy or completeness of the information in this Offering Circular.

The delivery of this Offering Circular at any time does not imply that the information herein is correct at any time subsequent to its date.

This Offering Circular is personal to the offeree who received it from a Placement Agent and does not constitute an offer to any other person to purchase any Notes.

The Notes are being offered only to a limited number of investors that are willing and able to conduct an independent investigation of the characteristics of the Notes and the risks of ownership of the Notes. It is expected that prospective investors interested in participating in this offering will conduct an independent

investigation of the risks posed by an investment in the Notes. Representatives of the Placement Agents will be available to answer questions concerning the Co-Issuers, the Notes and the Capital Securities and will, upon request, make available such other information as investors may reasonably request.

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

A prospective purchaser of the Notes (and each employee, representative, or other agent of a prospective purchaser) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transactions described in this Offering Circular and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective purchaser relating to such U.S. tax treatment and U.S. tax structure as such terms are defined in Treasury Regulation Section 1.6011-4. This authorization of tax disclosure is retroactively effective to the commencement of discussions with the prospective purchaser regarding the transactions described in this Offering Circular.

The Notes will bear restrictive legends and will be subject to restrictions on transfer as described herein. Each initial purchaser of Notes and each subsequent transferee of certificated Notes must furnish a representation letter in the form prescribed by the Indenture. Each initial purchaser and subsequent transferee of book-entry Notes will be deemed, by its acquisition or holding of such Notes, to have made the representations set forth in such Notes and the Indenture that are required of such initial purchasers and transferees. Any resale or other transfer, or attempted resale or other attempted transfer of Notes which is not made in compliance with the applicable transfer restrictions will be void. See "Transfer Restrictions".

Prospective Purchasers are hereby notified that a seller of Notes may be relying on an exemption from registration under Section 5 of the Securities Act provided by Section 4(2) of the Securities Act or Rule 144A under the Securities Act.

Investors whose investment authority is subject to legal restrictions should consult their legal advisors to determine whether and to what extent the Notes constitute legal investments for them. See "Certain Legal Investment Considerations".

None of the Securities and Exchange Commission, any state securities commission or any other U.S. regulatory authority has approved or disapproved the Notes nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense.

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

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

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

MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO RESIDENTS OF AUSTRIA

THE NOTES WILL BE OFFERED, SOLICITED, SOLD, DISTRIBUTED OR ADVERTISED IN AUSTRIA ONLY TO A LIMITED NUMBER OF NOT MORE THAN 250 INVESTORS, EACH OF WHICH HAS BEEN IDENTIFIED BY ITS NAME PRIOR TO DISPATCHING THE OFFER, SOLICITATION FOR THE OFFER, SALE, DISTRIBUTION OR ADVERTISEMENT, AND IN ALL CASES ONLY IN CIRCUMSTANCES WHERE NO PUBLIC OFFERING OF THE NOTES IS CONSTITUTED IN AUSTRIA WITHIN THE DEFINITION OF THE AUSTRIAN CAPITAL MARKETS ACT (THE "**ACMA**"), AS AMENDED, OR ANY OTHER LAW AND REGULATION IN AUSTRIA APPLICABLE TO THE OFFER AND THE SALE OF THE NOTES IN AUSTRIA, OR WHERE AN EXEMPTION FROM THE DUTY TO PUBLISH A PROSPECTUS UNDER THE ACMA IS APPLICABLE. NEITHER THIS OFFERING CIRCULAR NOR ANY OTHER OFFERING MATERIAL OR INFORMATION RELATING TO THE NOTES IS A PROSPECTUS WITHIN THE MEANING OF THE ACMA NOR A PUBLIC OFFERING OR A PUBLIC SOLICITATION TO SUBSCRIBE FOR OR PURCHASE THE NOTES OR A PUBLIC INVITATION TO MAKE AN OFFER FOR THE NOTES OR ANY ADVERTISEMENT OR MARKETING WHICH MAY BE CONSIDERED EQUIVALENT TO A PUBLIC OFFER OR SOLICITATION IN AUSTRIA PURSUANT TO THE ACMA. NO PROSPECTUS HAS BEEN OR WILL BE PUBLISHED PURSUANT TO THE ACMA. THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED OR OTHERWISE AUTHORISED FOR PUBLIC OFFER IN AUSTRIA UNDER THE ACMA OR OTHERWISE.

THE PLACEMENT AGENTS ARE NOT LICENSED OR AUTHORIZED TO PROVIDE INVESTMENT SERVICES (INCLUDING BUT NOT LIMITED TO PROVIDING INVESTMENT ADVICE), IN OR FROM AUSTRIA IN CONNECTION WITH THIS OFFER. THE PLACEMENT AGENTS ARE UNABLE TO ADVISE AUSTRIAN INVESTORS ON ANY ASPECT OF THIS OFFER.

NOTICE TO RESIDENTS OF FRANCE

THE NOTES HAVE NOT BEEN AND WILL NOT BE OFFERED, MARKETED, DISTRIBUTED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY IN THE REPUBLIC OF FRANCE OR TO THE PUBLIC IN THE REPUBLIC OF FRANCE OTHER THAN TO QUALIFIED INVESTORS ("**INVESTISSEURS QUALIFIES**") AND/OR A LIMITED CIRCLE OF INVESTORS ("**CERCLE RESTREINT D'INVESTISSEURS**"), ALL AS DEFINED IN AND IN ACCORDANCE WITH ARTICLES L. 411-2 AND D.411-2 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER, AND ALL ACTING FOR THEIR OWN ACCOUNT.

PURSUANT TO ARTICLES 211-2, 211-3 AND 211-4 OF THE GENERAL REGULATION OF THE AUTORITES DES MARCHES FINANCIERS ("**AMF**"), IT IS TO BE NOTED THAT:

1. THE ISSUE, OFFER OR SALE OF THE NOTES DOES NOT REQUIRE A PROSPECTUS SUBMITTED TO THE APPROVAL (VISA) OF THE AMF;
2. THE PERSONS OR ENTITIES LISTED UNDER ARTICLE L.411-2 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER CAN ONLY INVEST IN THE NOTES FOR THEIR OWN ACCOUNT UNDER THE CONDITIONS OF ARTICLES D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 AND D.764-1 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER; AND
3. THE DIRECT OR INDIRECT OFFER, MARKETING, DISTRIBUTION, SALE RE-SALE OR OTHER TRANSFER, TO THE PUBLIC IN THE REPUBLIC OF FRANCE OF THE NOTES SO PURCHASED CAN ONLY BE MADE IN ACCORDANCE WITH ARTICLES L. 411-1, L.411-2, L.412-1 AND L.621-8 TO L.621-8-3 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER.

THE PLACEMENT AGENTS ARE NOT LICENSED OR AUTHORIZED TO PROVIDE INVESTMENT SERVICES (INCLUDING BUT NOT LIMITED TO PROVIDING INVESTMENT

ADVICE), IN OR FROM FRANCE IN CONNECTION WITH THIS OFFER. THE PLACEMENT AGENTS ARE UNABLE TO ADVISE FRENCH INVESTORS ON ANY ASPECT OF THIS OFFER.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act for resale of the Notes, the Co-Issuers will make available upon request to Holders and prospective purchasers designated by any Holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Co-Issuers are not reporting companies under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or exempt from reporting requirements pursuant to Rule 12g3-2(b) under the Exchange Act.

CERTAIN CONSIDERATIONS RELATING TO THE CAYMAN ISLANDS

The Issuer is a newly formed exempted company incorporated with limited liability under the laws of the Cayman Islands. As a result, it may not be possible for investors to effect service of process upon the Issuer within the United States or to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. The Issuer has been informed by Maples and Calder, its legal advisor in the Cayman Islands, that the United States and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States securities laws, would, therefore, not be automatically enforceable in the Cayman Islands and there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws. The Issuer will appoint CT Corporation System, 111 Eighth Avenue, New York, New York 10011, as its agent for service of process in New York.

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SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Offering Circular and the documents referred to herein. A glossary of certain defined terms used herein appears as Annex A to this Offering Circular, and an index of certain defined terms used herein appears as Annex B hereto.

The Issuer

Preferred Term Securities XXIII, Ltd., a newly formed exempted company incorporated with limited liability under the laws of the Cayman Islands (the "**Issuer**"). The Issuer has no prior operating history. The Issuer has been established to acquire on or about the Closing Date a portfolio of capital securities issued by various issuers that satisfy, to the extent specified herein, certain criteria described herein. Subject to the discussion under "—Use of Proceeds" below, such capital securities will comprise:

(i) 108 capital securities (the "**PreTS[sm]**") issued or to be issued by wholly-owned trust subsidiaries (each, a "**PreTS[sm] Issuer**") of 107 depository institution holding companies on or about the Closing Date (including 80 PreTS[sm] acquired by or issued to the Placement Agents or their designees prior to the Closing Date);

(ii) six subordinated debentures (the "**Subordinated Debentures**") issued or to be issued by five depository institutions and one depository institution holding company (each such issuer, a "**Subordinated Debenture Issuer**") on or about the Closing Date (including five Subordinated Debentures issued to the Placement Agents or their designees prior to the Closing Date);

(iii) seven capital securities (the "**Trust Preferred Depository Institution Secondary Market Securities**" or "**Trust Preferred D-SMS**" and, together with the PreTS[sm] and the Subordinated Debentures, the "**D-Capital Securities**") issued by wholly-owned trust subsidiaries of depository institution holding companies (each such issuer, a "**Trust Preferred D-SMS Issuer**" and, together with the PreTS[sm] Issuers and the Subordinated Debenture Issuers, the "**D-Capital Securities Issuers**"), which will be or have been acquired by a Placement Agent or its affiliate in the secondary market on or about the Closing Date and sold to the Issuer;

(iv) two capital securities (the "**I-PreTS[sm]**") issued or to be issued by wholly-owned trust subsidiaries (each, an "**I-PreTS[sm] Issuer**") of insurance holding companies on or about the Closing Date (including one I-PreTS[sm] issued to the Placement Agents or their designees prior to the Closing Date);

(v) three debt securities (the "**Insurance Debt Securities"** or **"I-DS**") issued or to be issued by insurance holding companies (each, an "**I-DS Issuer**") on or about the Closing Date;

(vi) two surplus notes (the "**Surplus Notes**") issued or to be issued by insurance companies (each, a "**Surplus Note Issuer**") on or about the Closing Date;

(vii) five capital securities (the "**Insurance Secondary Market Securities**" or "**I-SMS**" and, together with the I-PreTS[sm], the I-DS and the Surplus Notes, the "**I-Capital Securities**") issued by one insurance company and four insurance holding companies (each, an "**I-SMS Issuer**" and, together with the I-PreTS[sm] Issuers, the Surplus Note Issuers and the I-DS Issuers, the "**I-Capital Securities Issuers**"), which will be or have been acquired by a Placement Agent or its affiliate in the secondary market on or about the Closing Date and sold to the Issuer; and

(viii) three capital securities (the "**R-PreTS[sm]**") issued or to be issued by wholly-owned trust subsidiaries of two real estate investment trusts (each, a "**R-PreTS[sm] Issuer**") on or about the Closing Date (including two R-PreTS[sm] issued to the Placement Agents or their designees prior to the Closing Date).

U.S.$466,450,000 principal amount of PreTS[sm] (the "**PreTSL III PreTS[sm]**") were originally issued on or about July 31, 2001 and were originally owned by another special purpose securitization vehicle. See "—Capital Securities" below.

The D-Capital Securities, the I-Capital Securities and the R-PreTS[sm] are referred to collectively as the "**Capital Securities**" and the D-Capital Securities Issuers, the I-Capital Securities Issuers and the R-PreTS[sm] Issuers are referred to collectively as the "**Capital Securities Issuers**". If any Corresponding Debentures are exchanged for the related Trust Preferred Capital Securities, such Corresponding Debentures will be treated as Capital Securities.

The Trust Preferred D-SMS and the I-SMS are referred to collectively as the "**SMS**" and the Trust Preferred D-SMS Issuers and the I-SMS Issuers are collectively referred to as the "**SMS Issuers**". The I-SMS issued by an insurance company is referred to as the "**Surplus Note I-SMS**" and the issuer of such I-SMS is referred to as the "**Surplus Note I-SMS Issuer**".

Each depository institution holding company in respect of a PreTS[sm] Issuer or a Trust Preferred D-SMS Issuer is referred to herein as an "**Affiliated Depository Institution HC**". Each insurance holding company in respect of an I-PreTS[sm] Issuer is referred to herein as an "**Affiliated Insurance HC**". The Affiliated Depository Institution HCs and the Affiliated Insurance HCs are referred to collectively as

the "**Affiliated HCs**". Each real estate investment trust in respect of a R-PreTS[sm] Issuer is referred to herein as a "**REIT Corresponding Debenture Issuer**". The Affiliated HCs and the REIT Corresponding Debenture Issuers are referred to collectively as the "**Corresponding Debenture Issuers**".

The PreTS[sm], the I-PreTS[sm], the R-PreTS[sm] and the Trust Preferred D-SMS are collectively referred to as the "**Trust Preferred Capital Securities**".

The activities of the Issuer will be limited to (i) issuing its voting shares, (ii) purchasing the Capital Securities on or about the Closing Date, (iii) issuing the Notes (which will be secured by the Capital Securities), (iv) purchasing the Reserve Account Strip, (v) making the Reserve Account Deposit, (vi) entering into the Hedge Agreements and (vii) engaging in other activities incidental to the foregoing and permitted under the Indenture. The only sources of funds available to make payments on the Notes will be cash flow derived from:

- the Capital Securities securing the Notes;
- the Reserve Account Deposit;
- the single payment due on the Reserve Account Strip; and
- payments, if any, made to the Issuer under the Hedge Agreements.

The Issuer has an authorized share capital of U.S.$50,000, consisting of 50,000 voting shares of U.S.$1.00 par value per share. As of the Closing Date, the Issuer will have issued and allotted 250 voting shares of U.S.$1.00 par value per share (the "**Ordinary Shares**"). All of the issued and allotted Ordinary Shares will be held by Maples Finance Limited pursuant to the terms of a charitable trust.

The Co-Issuer

Preferred Term Securities XXIII, Inc., a newly incorporated Delaware corporation (the "**Co-Issuer**" and, together with the Issuer, the "**Co-Issuers**"). The Co-Issuer has no prior operating history. The Co-Issuer will be capitalized only to the extent of its common equity of U.S.$100, will have no assets other than its equity capital and will have no debt other than as Co-Issuer of the Class A-X Notes, the Senior Notes and the Mezzanine Notes. The Income Notes will not be obligations of the Co-Issuer.

The Hedge Providers

ABN AMRO Bank N.V. ("**ABN AMRO**"), Bank of America, N.A. ("**BoA**") and The Bank of New York ("**BONY**") will respectively act as a Hedge Provider under certain of the Hedge Agreements. BONY is also acting as the Trustee under the Indenture.

Securities Offered

- U.S.$33,500,000 Amortizing Nominal Balance of Fixed Rate Class A-X Notes Due September 22, 2011 (the "**Class A-X Notes**").

- U.S.$321,000,000 aggregate principal amount of Floating Rate Class A-FP Senior Notes Due December 22, 2036 (the "**Class A-FP Senior Notes**").

- U.S.$544,000,000 aggregate principal amount of Floating Rate Class A-1 Senior Notes Due December 22, 2036 (the "**Class A-1 Senior Notes**").

- U.S.$141,000,000 aggregate principal amount of Floating Rate Class A-2 Senior Notes Due December 22, 2036 (the "**Class A-2 Senior Notes**").

- U.S.$57,600,000 aggregate principal amount of Floating Rate Class B-FP Mezzanine Notes Due December 22, 2036 (the "**Class B-FP Mezzanine Notes**").

- U.S.$67,400,000 aggregate principal amount of Floating Rate Class B-1 Mezzanine Notes Due December 22, 2036 (the "**Class B-1 Mezzanine Notes**").

- U.S.$31,000,000 aggregate principal amount of Fixed/Floating Rate Class B-2 Mezzanine Notes Due December 22, 2036 (the "**Class B-2 Mezzanine Notes**").

- U.S.$52,800,000 aggregate principal amount of Floating Rate Class C-FP Mezzanine Notes Due December 22, 2036 (the "**Class C-FP Mezzanine Notes**").

- U.S.$81,200,000 aggregate principal amount of Floating Rate Class C-1 Mezzanine Notes Due December 22, 2036 (the "**Class C-1 Mezzanine Notes**").

- U.S.$28,000,000 aggregate principal amount of Fixed/Floating Rate Class C-2 Mezzanine Notes Due December 22, 2036 (the "**Class C-2 Mezzanine Notes**").

- U.S.$35,050,000 aggregate principal amount of Floating Rate Class D-FP Mezzanine Notes Due December 22, 2036 (the "**Class D-FP Mezzanine Notes**").

- U.S.$72,500,000 aggregate principal amount of Floating Rate Class D-1 Mezzanine Notes Due December 22, 2036 (the "**Class D-1 Mezzanine Notes**").

- U.S.$95,500,000 aggregate principal amount of Subordinate Income Notes Due December 22, 2036 (the "**Income Notes**").

The Class A-FP Senior Notes, Class A-1 Senior Notes and Class A-2 Senior Notes are together referred to as the "**Senior Notes**". The Class B-FP Mezzanine Notes, the Class B-1 Mezzanine Notes and the Class B-2 Mezzanine Notes are referred to as the "**Class B Mezzanine Notes**". The Class C-FP Mezzanine Notes, the Class C-1 Mezzanine Notes and the Class C-2 Mezzanine Notes are referred to as the "**Class C Mezzanine Notes**". The Class D-FP Mezzanine Notes and the Class D-1 Mezzanine Notes are referred to as the "**Class D Mezzanine Notes**" The Class B Mezzanine Notes, the Class C Mezzanine Notes and the Class D Mezzanine Notes are collectively referred to as the "**Mezzanine Notes**". The Class A-FP Senior Notes, the Class B-FP Mezzanine Notes, the Class C-FP Mezzanine Notes and the Class D-FP Mezzanine Notes are collectively referred to as the "**FP Notes**". The Class A-X Notes, the Senior Notes, the Mezzanine Notes and the Income Notes are collectively referred to as the "**Notes**".

The Notes will be issued pursuant to an indenture (the "**Indenture**"), to be dated as of September 21, 2006, among the Issuer, the Co-Issuer and The Bank of New York, as trustee (the "**Trustee**"). The Class A-X Notes, the Senior Notes and the Mezzanine Notes will be non-recourse obligations of the Co-Issuers and the Income Notes will be non-recourse obligations of the Issuer. All amounts payable in respect of the Notes will be paid solely from and to the extent of the available proceeds, including reinvestment income, from the Trust Estate.

Closing Date

September 21, 2006 (the "**Closing Date**").

Use of Proceeds

The proceeds of the offering of the Notes, in the aggregate amount of U.S.$1,558,640,000 will be applied by the Issuer (i) to purchase U.S.$1,129,300,00 aggregate principal balance of D-Capital Securities, consisting of: (a) 108 PreTS[sm] issued by PreTS[sm] Issuers owned by 107 Affiliated Depository Institution HCs, (b) six Subordinated Debentures issued by the Subordinated Debenture Issuers and (c) seven Trust Preferred D-SMS issued by the Trust Preferred D-SMS Issuers, (ii) to purchase U.S.$272,700,000 aggregate principal balance of I-Capital Securities, consisting of: (a) two I-PreTS[sm] issued by I-PreTS[sm] Issuers owned by two Affiliated Insurance HCs, (b) three I-DS issued by the I-DS Issuers, (c) two Surplus Notes issued by the Surplus Note Issuers and (d) five I-SMS issued by the I-SMS Issuers, (iii) to purchase U.S.$65,000,000 aggregate principal balance of three R-PreTS[sm] issued by R-PreTS[sm] Issuers owned by two REIT Corresponding Debenture Issuers, (iv) to make the Reserve Account Deposit in the amount of $400,000, (v) to purchase, at a price of U.S.$2,407,673.16, the Reserve Account Strip and (vi) to pay organizational expenses and the expenses of the issuance of the Notes. In most cases, the purchase price of the Capital Securities will include accrued and unpaid interest thereon.

It is anticipated that five Capital Securities having an aggregate Principal Balance of U.S.$115,000,000 will be acquired by the Issuer after the Closing Date (the "**Delayed Settlement Capital**

Securities"). In addition, if for any reason Capital Securities (not including any Delayed Settlement Capital Securities) having an aggregate principal balance not to exceed U.S.$210,000,000 cannot be purchased by the Issuer on or about the Closing Date (any such Capital Security, a "**Failed Settlement Capital Security**" and together with any Delayed Settlement Capital Securities, the "**Non-settled Capital Securities**"), then the Issuer will consummate the transactions contemplated herein to the extent that it can on the Closing Date and the Issuer will endeavor to purchase the Failed Settlement Capital Securities after the Closing Date. The Issuer will invest the portion of the proceeds of the offering of the Notes that is allocable to the purchase price for any Non-settled Capital Securities (the "**Non-settled Amount**") in Eligible Investments. If the Issuer is unable to purchase any Non-settled Capital Security, then it will seek to acquire one or more securities designated by either of the Placement Agents (a "**Replacement Capital Security**"); provided that (i) any portion of the Non-settled Amount relating to a Non-settled Capital Security that is a D-Capital Security may only be used to purchase a depository institution related capital security; (ii) any portion of the Non-settled Amount relating to a Non-settled Capital Security that is an I-Capital Security may be used to purchase a depository institution related capital security or an insurance related capital security and (iii) any portion of the Non-settled Amount relating to a Non-settled Capital Security that is a R-PreTS[sm] may be used to purchase a depository institution related capital security, an insurance related capital security or a real estate related capital security. Before purchasing any Replacement Capital Security, the Issuer will first obtain confirmation that such purchase will not cause S&P or Moody's (if the Moody's Replacement Condition is not satisfied in connection with such purchase) to reduce or qualify any of their ratings of the Notes. If such purchase or purchases are not made by the Payment Date in December, 2006, then the unused portion of the Non-settled Amount will be applied to redeem each class of Notes (other than the Class A-X Notes and the FP Notes) *pro rata* on the basis of the outstanding principal amount of such class of Notes.

Denominations

The Class A-X Notes, the Senior Notes and the Mezzanine Notes will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. The Income Notes will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1 in excess thereof. After issuance, (i) the principal amount of a Note may fail to be in compliance with the minimum denomination requirements stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments and (ii) the Mezzanine 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 Mezzanine Note Capitalized Interest. No Notes will be issued in bearer form. The Notes are subject to certain restrictions on transfer as described under "Transfer Restrictions".

Form, Registration and Transfer of the Notes

- The Class A-X Notes, the Senior Notes and the Mezzanine Notes initially sold in the United States to qualified institutional buyers

will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each, a "**Rule 144A Global Note**") deposited with the Trustee as custodian for, and registered in the name of, a nominee of The Depository Trust Company ("**DTC**").

- The Notes sold to non-U.S. Persons in offshore transactions in reliance on Regulation S ("**Regulation S**") under the Securities Act of 1933, as amended (the "**Securities Act**"), will initially be represented by one or more temporary global notes in definitive, fully registered form without interest coupons (each a "**Temporary Regulation S Global Note**") and deposited with the Trustee as custodian for, and registered in the name of, a nominee of DTC for the respective accounts of the operator of the Euroclear system and Clearstream and, accordingly, will be available through Euroclear and Clearstream. The Temporary Regulation S Global Notes will be exchangeable for permanent Regulation S Global Notes on or after the Exchange Date upon certification that the beneficial interests in such Notes are owned by non-U.S. Persons. "**U.S. Person**" is used herein as defined in Regulation S.

- Definitive physical notes will not be issued in exchange for interests in the Global Notes except in the limited circumstances described under "Description of the Notes—Form, Denomination and Registration".

- The Mezzanine Notes initially sold to institutional "accredited investors" in the United States (as defined under Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and all Income Notes, except those Income Notes sold in reliance on Regulation S, will be issued in the form of Certificated Notes.

The Notes may not be offered, sold or transferred at any time to a U.S. Person or a person in the United States unless such person is a "qualified purchaser" within the meaning of Section 2(a)(51) of the United States Investment Company Act of 1940, as amended, and the rules thereunder.

Payment Dates

March 22, June 22, September 22 and December 22 of each year, or, if any such day is not a Business Day, then on the next succeeding Business Day (each such date, a "**Payment Date**") beginning on the Payment Date in December, 2006.

Maturity Dates

With respect to the Class A-X Notes, the Payment Date occurring in September 2011 and with respect to each other class of Notes, the Payment Date occurring in December 2036 (each such Payment Date, the "**Stated Maturity Date**" with respect to the related class of Notes), or such earlier date on which the Aggregate Principal Amount (or in the case of the Class A-X Notes, the Amortizing Nominal Balance) of such class of Notes is paid in full (each such date, the "**Final Maturity Date**" for such class of Notes).

Class A-X Notes

The Class A-X Notes will be issued with an initial Amortizing Nominal Balance of U.S.$33,500,000. Subject to the availability of funds and to the Priority of Payments, on each Payment Date occurring on or prior to the Stated Maturity Date of the Class A-X Notes, Holders of the Class A-X Notes will be entitled to receive an amount (the "**Class A-X Payment Amount**") equal to the greater of:

(i) the sum of (x) accrued interest for the related Class A-X Interest Accrual Period on the outstanding Amortizing Nominal Balance of the Class A-X Notes (after giving effect to payments made on or about the first day of such Interest Accrual Period) at a per annum rate equal to 5.66% (the "**Class A-X Note Rate**"), computed on the basis of a 360-day year consisting of twelve 30-day months, (y) any Outstanding Class A-X Shortfall Amount as of such Payment Date and (z) solely with respect to any payment made on or after the Stated Maturity Date of the Class A-X Notes, the outstanding Amortizing Nominal Balance of the Class A-X Notes; and

(ii) the sum of (x) accrued interest for the related Class A-X Interest Accrual Period at a fixed rate equal to 1.75% per annum on the Class A-X Calculation Amount (after giving effect to payments made on or about the first day of such Class A-X Interest Accrual Period), computed on the basis of a 360-day year consisting of twelve 30-day months and (y) any premiums paid to the Issuer in connection with the optional redemption of any PreTSL III PreTS[sm] during the related Due Period;

provided that the Class A-X Payment Amount will not exceed the amount that, when applied in accordance with the following paragraph, will reduce the Amortizing Nominal Balance of the Class A-X Notes to zero.

Any Class A-X Payment Amount received by the Holders of the Class A-X Notes on a Payment Date will be applied (i) *first*, to pay interest, computed on the basis of a 360-day year consisting of twelve 30-day months, at a per annum rate equal to the Class A-X Note Rate for the related Class A-X Interest Accrual Period on the outstanding Amortizing Nominal Balance of the Class A-X Notes (after giving effect to payments made on or about the first day of the Class A-X Interest Accrual Period) and (ii) *second*, to reduce the Amortizing Nominal Balance of the Class A-X Notes.

Interest on the Senior Notes and the Mezzanine Notes

- The Class A-FP Senior Notes will bear interest at a per annum rate equal to the London interbank offered rate for U.S. dollar deposits ("**LIBOR**"), determined as described herein, for the related Interest Accrual Period plus 0.20%.

- The Class A-1 Senior Notes will bear interest at a per annum rate equal to LIBOR, determined as described herein, for the related Interest Accrual Period plus 0.31%.

- The Class A-2 Senior Notes will bear interest at a per annum rate equal to LIBOR, determined as described herein, for the related Interest Accrual Period plus 0.39%.

- The Class B-FP Mezzanine Notes will bear interest at a per annum rate equal to LIBOR, determined as described herein, for the related Interest Accrual Period plus 0.38%.

- The Class B-1 Mezzanine Notes will bear interest at a per annum rate equal to LIBOR, determined as described herein, for the related Interest Accrual Period plus 0.62%.

- The Class B-2 Mezzanine Notes will bear interest as follows:

— for the period from and including the Closing Date to but excluding September 22, 2011 (the "**Five-Year Fixed Rate Period**"), at 5.792% per annum; and

— from and including September 22, 2011, at a per annum rate equal to LIBOR, determined as described herein, for the related Interest Accrual Period plus 0.62%.

- The Class C-FP Mezzanine Notes will bear interest at a per annum rate equal to LIBOR, determined as described herein, for the related Interest Accrual Period plus 0.73%.

- The Class C-1 Mezzanine Notes will bear interest at a per annum rate equal to LIBOR, determined as described herein, for the related Interest Accrual Period plus 1.15%.

- The Class C-2 Mezzanine Notes will bear interest as follows:

— for the Five–Year Fixed Rate Period , at 6.322% per annum; and

— from and including September 22, 2011, at a per annum rate equal to LIBOR, determined as described herein, for the related Interest Accrual Period plus 1.15%.

- The Class D-FP Mezzanine Notes will bear interest at a per annum rate equal to LIBOR, determined as described herein, for the related Interest Accrual Period plus 1.60%.

- The Class D-1 Mezzanine Notes will bear interest at a per annum rate equal to LIBOR, determined as described herein, for the related Interest Accrual Period plus 2.10%.

Interest on the FP Notes, the Class A-1 Senior Notes, the Class A-2 Senior Notes, the Class B-1 Mezzanine Notes, the Class C-1 Mezzanine Notes and the Class D-1 Mezzanine Notes will accrue from and including the Closing Date and will be payable quarterly in arrears in respect of each Interest Accrual Period on the related Payment Date. Interest on the FP Notes, the Class A-1 Senior Notes, the Class A-2 Senior Notes, the Class B-1 Mezzanine Notes, the Class

C-1 Mezzanine Notes and the Class D-1 Mezzanine Notes will be computed on the basis of the actual number of days in the Interest Accrual Period and a 360-day year.

During the Five-Year Fixed Rate Period, interest will accrue on the Class B-2 Mezzanine Notes and Class C-2 Mezzanine Notes at their respective fixed rates and be payable quarterly in arrears on each Payment Date. During this period, interest on the Class B-2 Mezzanine Notes and Class C-2 Mezzanine Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Five-Year Fixed Rate Interest Accrual Period for the first Payment Date will be from and including the Closing Date to but excluding December 22, 2006. The Five-Year Fixed Rate Interest Accrual Period for each subsequent Payment Date during the Five-Year Fixed Rate Period will be from and including the 22nd day of the month of the prior Payment Date to but excluding the 22nd day of the month in which the current Payment Date occurs. After the Payment Date in September 2011, interest on the Class B-2 Mezzanine Notes and Class C-2 Mezzanine Notes will be payable at their respective floating rates quarterly in arrears in respect of each such Interest Accrual Period on the related Payment Date. During this period, interest on the Class B-2 Mezzanine Notes and Class C-2 Mezzanine Notes will be computed on the basis of the actual number of days in the Interest Accrual Period and a 360-day year.

Interest on any Senior Note and any Mezzanine Note is payable to the earlier of its Stated Maturity Date and its Final Maturity Date.

The Class B Mezzanine Notes will be subordinate to the Senior Notes in respect of payments of interest and to certain expenses of the Co-Issuers, as described herein. The Class C Mezzanine Notes will be subordinate to the Senior Notes and the Class B Mezzanine Notes in respect of payments of interest and to certain expenses of the Co-Issuers, as described herein. The Class D Mezzanine Notes will be subordinate to the Senior Notes, the Class B Mezzanine Notes and the Class C Mezzanine Notes in respect of payments of interest and to certain expenses of the Co-Issuers, as described herein. For so long as any of the Senior Notes are Outstanding, to the extent that funds are not available in accordance with the Priority of Payments on any Payment Date to pay in full current interest on the Class B Mezzanine Notes for such Payment Date, the unpaid interest amounts due on the Class B Mezzanine Notes that would otherwise be due and payable on such Payment Date (the "**Class B Mezzanine Note Capitalized Interest**") will not be due and payable on such date, but will be added to the principal amount of the Class B Mezzanine Notes, and thereafter shall bear interest at the Class B-FP Mezzanine Note Rate, the Class B-1 Mezzanine Note Rate and the Class B-2 Mezzanine Note Rate, as applicable, to the extent permitted by law. Consequently, the failure to pay any interest due on the Class B Mezzanine Notes will not be an Event of Default so long as any of the Senior Notes are Outstanding.

For so long as any of the Senior Notes or the Class B Mezzanine Notes are Outstanding, to the extent that funds are not available in accordance with the Priority of Payments on any Payment Date, to pay in full current interest on the Class C Mezzanine Notes for such Payment Date, the unpaid interest amounts due on the Class C Mezzanine Notes that would otherwise be due and payable on such Payment Date (the "**Class C Mezzanine Note Capitalized Interest**") will not be due and payable on such date, but will be added to the principal amount of the Class C Mezzanine Notes, and thereafter shall bear interest at the Class C-FP Mezzanine Note Rate, the Class C-1 Mezzanine Note Rate and Class C-2 Mezzanine Note Rate, as applicable, to the extent permitted by law. Consequently, the failure to pay any interest due on the Class C Mezzanine Notes will not be an Event of Default so long as any of the Senior Notes or the Class B Mezzanine Notes are Outstanding.

For so long as any of the Senior Notes, the Class B Mezzanine Notes or the Class C Mezzanine Notes are Outstanding, to the extent that funds are not available in accordance with the Priority of Payments on any Payment Date, to pay in full current interest on the Class D Mezzanine Notes for such Payment Date, the unpaid interest amounts due on the Class D Mezzanine Notes that would otherwise be due and payable on such Payment Date (the "**Class D Mezzanine Note Capitalized Interest**") will not be due and payable on such date, but will be added to the principal amount of the Class D Mezzanine Notes and thereafter shall bear interest at the Class D-FP Mezzanine Note Rate and the Class D-1 Mezzanine Note Rate, as applicable, to the extent permitted by law. Consequently, the failure to pay any interest due on the Class D Mezzanine Notes will not be an Event of Default so long as any of the Senior Notes, the Class B Mezzanine Notes or the Class C Mezzanine Notes are Outstanding.

Payments in Respect of the Class A-X Notes, Senior Notes and the Mezzanine Notes.

Interest. Interest payments on the Class A-X Notes, Senior Notes and the Mezzanine Notes will be made in accordance with the Priority of Payments described herein. The Class A-X Payment Amount and interest payable on the Class A-FP Senior Notes, the Class A-1 Senior Notes and the Class A-2 Senior Notes will rank *pari passu*. Interest payable on the Class B-FP Mezzanine Notes, the Class B-1 Mezzanine Notes and the Class B-2 Mezzanine Notes will rank *pari passu.* Interest payable on the Class C-FP Mezzanine Notes, the Class C-1 Mezzanine Notes and the Class C-2 Mezzanine Notes will rank *pari passu.* Interest payable on the Class D-FP Mezzanine Notes and the Class D-1 Mezzanine Notes will rank *pari passu.* See "Description of the Notes—Priority of Payments".

Principal. Subject to the availability of funds and to the Priority of Payments, principal payments on the Senior Notes and the Mezzanine Notes will be made in the priority described under "Description of the Notes—Priority of Payments". Subject to the Priority of Payments, so long as (1) each Coverage Test is satisfied, (2) no Event of Default has occurred and is continuing, (3) the condition set forth in clause

(a)(x)(I) of the Priority of Payments is satisfied and (4) the Credit Migration Test and the Collateral Balance Test are both satisfied, principal payments will generally be made on the FP Notes in the order of priority set forth in the Priority of Payments until the aggregate principal amount of the FP Notes is reduced to zero before any principal payments are made on the other Notes.

Principal payments on the Senior Notes and the Mezzanine Notes will generally be made from the following sources:

(a) on Payment Dates prior to the Stated Maturity Date:

(i) prepayments and any premiums (other than any premium paid in connection with the redemption or prepayment of any PreTSL III PreTS[sm] or any I-SMS) received on the Capital Securities (as described under "Description of the Notes—Redemption and Prepayments") and final payments received on certain Capital Securities;

(ii) any Senior Coverage Prepayments, any Class B Mezzanine Coverage Prepayments, any Class C Mezzanine Coverage Prepayments and/or any Class D Mezzanine Coverage Prepayments made if any Coverage Test is not met in connection with such Payment Date (as described under "Description of the Notes—Coverage Prepayments");

(iii) any payments made pursuant to clause (a)(x) of the Priority of Payments; and

(iv) on and after the September 2016 Payment Date, any payments made pursuant to clause (a)(xi)(B) of the Priority of Payments;

(b) on the Payment Date following the maturity date thereof, the single payment due on the Reserve Account Strip;

(c) if any Capital Securities that are Defaulted Securities are sold to Income Noteholders as described under "Description of the Notes—Redemption and Prepayments—*Redemption Upon Default or Extension of Capital Securities*", on the Payment Date related to such sale, the proceeds of such sale allocable to principal;

(d) if the Capital Securities are sold to Income Noteholders as described under "Description of the Notes—Redemption and Prepayments—*Redemption by Holders of Income Notes*", on the Payment Date related to such sale, the net proceeds of such sale;

(e) if the Capital Securities are sold at auction as described under "Description of the Notes—Redemption and Prepayments—*Redemption Upon Auction Sale of Capital Securities*" below, on

the Payment Date following such auction sale, the net proceeds of such auction sale; and

(f) on the Stated Maturity Date, payments received at maturity of the remaining Capital Securities.

Payments of the Amortizing Nominal Balance of the Class A-X Notes will be made through the application of Interest Collections (including any premium paid to the Issuer in connection with the redemption or prepayment of any PreTSL III PreTS[sm]) toward the payment of the Class A-X Payment Amount on each Payment Date as described under "*—Class A-X Notes*" above. Subject to the Priority of Payments and the availability of funds, the Amortizing Nominal Balance of the Class A-X Notes may also be reduced through the application of Principal Collections pursuant to clause (b) of the Priority of Payments.

For a description of the redemption and prepayment provisions relating to the Capital Securities, see "Description of the D-Capital Securities Documents—Redemption and Prepayments of the D-Capital Securities", "Description of the I-Capital Securities Documents—Redemption and Prepayments of the I-Capital Securities" and "Description of the R-PreTS[sm] Documents—Redemption and Prepayment of the R-PreTS[sm]".

Income Notes

The Holders of the Income Notes will not be entitled to payments of interest at a stated rate, but will be entitled to receive as payments of interest and principal all excess funds available for distribution on each Payment Date in accordance with the Priority of Payments. See "Description of the Notes—Priority of Payments". The Income Notes will be subordinate to the Senior Notes and the Mezzanine Notes in respect of payments of principal and interest, and to all expenses of the Co-Issuers, as described herein.

Application of Funds

On each Payment Date, including any Final Maturity Date, collections received in respect of the Capital Securities, to the extent of Available Funds in the Collection Account, will be applied by the Trustee in the manner and order of priority set forth under "Description of the Notes— Priority of Payments".

The Hedge Agreements

On the Closing Date, the Issuer will enter into various fixed/floating interest rate swap transactions (collectively, the "**Fixed/Floating Swaps**"), a timing swap (the "**Timing Swap**") and an interest rate cap (the "**Interest Rate Cap**" and together with the Fixed/Floating Swaps and the Timing Swap, the "**Hedge Agreements**"). See "Description of the Hedge Agreements".

Prepayments and Redemptions

Optional Redemption Prepayments. Any optional prepayment made with respect to any of the Capital Securities during any Due Period (exclusive of any premium paid in connection with the prepayment or redemption of any PreTSL III PreTS[sm] or any I-SMS) will be applied as Principal Collections on the next succeeding Payment Date in accordance with clause (b) of the Priority of Payments. See

"Description of the Notes—Redemption and Prepayments". No premium will be paid on any Notes in connection with a prepayment of a Capital Security.

Special Redemption Prepayments of a Capital Security. If a prepayment is made with respect to any of the Capital Securities during any Due Period as a result of a Special Event, the amount of such prepayment, together with any premium paid (other than any premium paid in connection with the redemption or prepayment of any PreTSL III PreTS[sm] or any I-SMS), will be applied as Principal Collections on the next succeeding Payment Date in accordance with clause (b) of the Priority of Payments. See "Description of the Notes—Redemption and Prepayments". No premium will be paid on any Notes in connection with a prepayment of a Capital Security as a result of a Special Event.

Senior Coverage Prepayments. If the Senior Coverage Test described below is not satisfied as of the Calculation Date for any Payment Date, certain of the amounts that would otherwise be used on such Payment Date for payments on the Mezzanine Notes and the Income Notes if the Senior Coverage Test were satisfied will instead be applied on such Payment Date, *first*, to redeem, on a *pro rata* basis based on the Senior Allocation Percentage of each such class, the Class A-FP Senior Notes and the Class A-1 Senior Notes until the first to occur of the following: (x) the Senior Coverage Test is satisfied or (y) the Aggregate Principal Amount of the Class A-1 Senior Notes is reduced to zero; and *second*, to redeem, on a *pro rata* basis based on Aggregate Principal Amount (after giving effect to the payments made to the Holders of the Class A-FP Senior Notes pursuant to the *first* clause above), the Class A-FP Senior Notes and the Class A-2 Senior Notes until the first to occur of the following: (x) the Senior Coverage Test is satisfied or (y) the Aggregate Principal Amount of such Senior Notes is reduced to zero, in each case without payment of any redemption premium. Such payments are referred to as "**Senior Coverage Prepayments**".

Senior Coverage Test. On any Calculation Date, a test which is satisfied if the ratio, which shall be expressed as a percentage, of (x) to (y) equals or exceeds 128%, where (x) is an amount ("**Principal Coverage Amount**") equal to the sum of (i) the Adjusted Collateral Principal Amount of the Capital Securities; (ii) the Accreted Value of the Reserve Account Strip (as defined under "Description of the Notes—Reserve Account Strip") and (iii) the Aggregate Principal Amount of the Eligible Investments (other than Defaulted Securities) and any cash that represent Principal Collections in the Trust Estate on such date; and (y) is the Aggregate Principal Amount of the Senior Notes on such date. (The Amortizing Nominal Balance of the Class A-X Notes is not included in this clause (y).)

Class B Mezzanine Coverage Prepayments. At any time that the Class B Mezzanine Notes are Outstanding, if the Class B Mezzanine Coverage Test described below is not satisfied as of the Calculation Date for any Payment Date, certain of the amounts that would

otherwise be used on such Payment Date for payments on the Class C Mezzanine Notes, the Class D Mezzanine Notes and the Income Notes if the Class B Mezzanine Coverage Test were satisfied will instead be applied on such Payment Date, to the extent necessary to satisfy the Class B Mezzanine Coverage Test, to principal payments, on a *pro rata* basis based on Aggregate Principal Amount, on the Senior Notes and the Class B Mezzanine Notes until they are paid in full ("**Class B Mezzanine Coverage Prepayments**") without payment of any redemption premium.

Class B Mezzanine Coverage Test. On any Calculation Date, a test which is satisfied if the ratio, which shall be expressed as a percentage, of (x) to (y) equals or exceeds 115%, where (x) is the Principal Coverage Amount, and (y) is the sum of the Aggregate Principal Amount of the Senior Notes and the Aggregate Principal Amount of the Class B Mezzanine Notes on such date. (The Amortizing Nominal Balance of the Class A-X Notes is not included in clause (y).)

Class C Mezzanine Coverage Prepayments. At any time that the Class C Mezzanine Notes are Outstanding, if the Class C Mezzanine Coverage Test described below is not satisfied as of the Calculation Date for any Payment Date, certain of the amounts that would otherwise be used on such Payment Date for payments on the Class D Mezzanine Notes and the Income Notes if the Class C Mezzanine Coverage Test were satisfied will instead be applied on such Payment Date, to the extent necessary to satisfy the Class C Mezzanine Coverage Test, to principal payments, on a *pro rata* basis based on Aggregate Principal Amount, on the Senior Notes, the Class B Mezzanine Notes and the Class C Mezzanine Notes until they are paid in full ("**Class C Mezzanine Coverage Prepayments**") without payment of any redemption premium.

Class C Mezzanine Coverage Test. On any Calculation Date, a test which is satisfied if the ratio, which shall be expressed as a percentage, of (x) to (y) equals or exceeds 105.8%, where (x) is the Principal Coverage Amount, and (y) is the sum of the Aggregate Principal Amount of the Senior Notes, the Aggregate Principal Amount of the Class B Mezzanine Notes and the Aggregate Principal Amount of the Class C Mezzanine Notes on such date. (The Amortizing Nominal Balance of the Class A-X Notes is not included in clause (y).)

Class D Mezzanine Coverage Prepayments. At any time that the Class D Mezzanine Notes are Outstanding, if the Class D Mezzanine Coverage Test described below is not satisfied as of the Calculation Date for any Payment Date, certain of the amounts that would otherwise be used on such Payment Date for payments on the Income Notes if the Class D Mezzanine Coverage Test were satisfied will instead be applied on such Payment Date, to the extent necessary to satisfy the Class D Mezzanine Coverage Test, to principal payments, on a *pro rata* basis based on Aggregate Principal Amount, on the Senior Notes, the Class B Mezzanine Notes, the Class C Mezzanine

Notes and the Class D Mezzanine Notes until they are paid in full ("**Class D Mezzanine Coverage Prepayments**") without payment of any redemption premium.

Class D Mezzanine Coverage Test. On any Calculation Date, a test which is satisfied if the ratio, which shall be expressed as a percentage, of (x) to (y) equals or exceeds (i) on any Calculation Date occurring in or prior to September 2016, 100.25%, and (ii) on any Calculation Date occurring after September 2016, 104%, where (x) is the Principal Coverage Amount, and (y) is the sum of the Aggregate Principal Amount of the Senior Notes, the Aggregate Principal Amount of the Class B Mezzanine Notes, the Aggregate Principal Amount of the Class C Mezzanine Notes and the Aggregate Principal Amount of the Class D Mezzanine Notes on such date. (The Amortizing Nominal Balance of the Class A-X Notes is not included in clause (y).)

Redemption Upon Default or Extension. Subject to the limitations and requirements described herein, the Holders of the Income Notes, in their sole discretion, may purchase any Capital Security that is a Defaulted Security at a price equal to (x) the Principal Balance of the related Capital Security plus accrued and unpaid distributions thereon less (y) any amount(s) distributed to Holders of the Senior Notes and the Mezzanine Notes pursuant to clauses (a)(iii), (v), (vii), (ix) and (x) of the Priority of Payments on account of such Defaulted Security. On the next succeeding Payment Date, the proceeds of any such purchase allocable to principal will be applied as Principal Collections in accordance with clause (b) of the Priority of Payments and the proceeds of any such purchase allocable to interest will be applied as Interest Collections in accordance with clause (a) of the Priority of Payments. See "Description of the Notes—Redemption and Prepayments—*Redemption upon Default or Extension of Capital Securities*".

Redemption by Income Noteholders. Subject to the limitations and requirements described herein, on any Payment Date occurring on or after the September 2011 Payment Date through and including the June 2016 Payment Date, the Holders of at least 66⅔% of the Aggregate Principal Amount of the Income Notes may purchase all of the Capital Securities. Upon any such purchase, the Issuer will redeem all of the Senior Notes and Mezzanine Notes then outstanding. Each Senior Note or Mezzanine Note so redeemed will be redeemed at a price equal to the Principal Amount of such Note on the date of redemption, plus accrued and unpaid interest thereon to such date. See "Description of the Notes—Redemption and Prepayments—*Redemption by Holders of Income Notes*".

Redemption Upon Auction Sale of Capital Securities. On the first business day of the calendar month immediately preceding each Payment Date on which any Senior Notes or Mezzanine Notes are outstanding (each an "**Auction Date**"), commencing with the September 2016 Auction Date, the Trustee will solicit bids in an auction format for the purchase of all the outstanding Capital

Securities. The Trustee will accept the highest bid submitted that is at least equal to the sum of (i) (x) the Aggregate Principal Amount of the Senior Notes and the Mezzanine Notes plus accrued and unpaid interest thereon to the next Payment Date less (y) the amount of any funds on deposit in the Collection Account and the Reserve Account, which may include the proceeds from the sale of the Reserve Account Strip if the auction occurs prior to the maturity date thereof and (ii) any unpaid fees and expenses of the Co-Issuers (including any termination payments due with respect to the Hedge Agreements). If such a bid is received, the Trustee will sell the Capital Securities to the bidder and apply the sale proceeds, together with any amounts in the Collection Account, to pay the Senior Notes and Mezzanine Notes in full on the Payment Date immediately following such auction. The remaining sale proceeds, if any, and any other assets of the Issuer, including, without limitation, any remaining funds on deposit in the Collection Account and the Reserve Account, after payment of any unpaid fees and expenses of the Co-Issuers (including any termination payments due with respect to the Hedge Agreements), will be distributed to the Holders of the Income Notes. In the event such auction does not result in a successful sale, the Trustee will repeat the auction prior to each succeeding Payment Date until an auction sale occurs. There can be no assurance that the Capital Securities will be sold at auction, or, if they are sold, that there will be any such proceeds available for distribution to the Holders of the Income Notes. See "Description of the Notes—Redemption and Prepayments".

Security for the Notes

The Notes will be secured by the Trust Estate. The Issuer will also grant a security interest in the Trust Estate to the Hedge Providers. The Trust Estate will generally consist of the Capital Securities, the Issuer's interest in the Hedge Agreements, the benefit of the Guarantees, the amounts on deposit in the Reserve Account, the Reserve Account Strip, the Eligible Investments and the Collateral Accounts, but will exclude the proceeds from the Issuer's issuance of its Ordinary Shares, any bank account of the Issuer in which such proceeds are held, the amount of any transaction fees paid to the Issuer in connection with the issuance of the Notes and the rights of the Issuer under the administration agreement with the Administrator.

The Capital Securities

On or about the Closing Date, the Issuer expects to acquire (i) the PreTS[sm] from the respective PreTS[sm] Issuers or, in the case of 80 PreTS[sm] that were issued prior to the Closing Date, from a Placement Agent or one of its affiliates, (ii) the Subordinated Debentures from the respective Subordinated Debenture Issuers or, in the case of five Subordinated Debentures that were issued prior to the Closing Date, from a Placement Agent or one of its affiliates, (iii) the Trust Preferred D-SMS from a Placement Agent or one of its affiliates, (iv) the I-PreTS[sm] from the respective I-PreTS[sm] Issuers or, in the case of one I-PreTS[sm] that was issued prior to the Closing Date, from a Placement Agent or one of its affiliates, (v) the I-DS from the respective I-DS Issuers, (vi) the Surplus Notes from the respective Surplus Note Issuers, (vii) the I-SMS from a Placement Agent or one of its affiliates and (viii) the R-PreTS[sm] from the respective R-PreTS[sm] Issuers or, in the case of two R-PreTS[sm] that were issued prior to the

Closing Date, from a Placement Agent or one of its affiliates. The Capital Securities will secure the Notes.

U.S.$466,450,000 principal amount of PreTS[sm] (the "**PreTSL III PreTS[sm]**") were originally issued on or about July 31, 2001, at which time they were purchased by Preferred Term Securities III, Ltd. ("**PreTSL III**"), a special purpose securitization issuer. One of the Placement Agents, FTN Financial Capital Markets, a division of First Tennessee Bank National Association, acquired the PreTSL III PreTS[sm] on August 7, 2006 in connection with the optional redemption of the securities issued by PreTSL III. U.S.$84,000,000 principal amount of the PreTSL III PreTS[sm] (the "**Restructured PreTSL III PreTS[sm]**") were subsequently restructured to, among other things, extend the redemption restrictions to 2011. The PreTSL III PreTS[sm] that are not Restructured PreTSL III PreTS[sm] (the "**Unmodified PreTSL III PreTS[sm]**") are currently redeemable at the option of the related Affiliated Depository Institution HC on any related Capital Security Payment Date, subject to the payment of a premium as described under "Description of the D-Capital Securities Documents—Redemption and Prepayments of the D-Capital Securities".

For a discussion of the terms of the Capital Securities, see "Description of the Capital Securities", "Description of the D-Capital Securities Documents—Distributions on the D-Capital Securities" and "—PreTS[sm] Guarantee", "Description of the I-Capital Securities Documents—Distributions on the I-Capital Securities", "—I-PreTS[sm] Guarantee" and "Description of the R-PreTS[sm] Documents—Distributions on the R-PreTS[sm]".

The issuers of Trust Preferred Capital Securities are or will be trust subsidiaries of Corresponding Debenture Issuers. Each such trust will own junior subordinated debentures ("**Corresponding Debentures**") issued by its Corresponding Debenture Issuer, which will be such trust's only source of funds for making payments on its Trust Preferred Capital Securities. Each Corresponding Debenture Issuer that is not a REIT Corresponding Debenture Issuer may generally defer payments on its Corresponding Debentures for up to 20 consecutive quarterly periods (or the equivalent thereof), after which all accrued, compounded (to the extent lawful) and unpaid interest becomes due and payable.

The payment of interest, premium, if any, and principal on a Surplus Note is subject to the prior approval of the Applicable Regulator of such Surplus Note Issuer and certain other conditions described herein.

Collection Account

All Collections from the Capital Securities will be remitted to the Trustee and deposited into the Collection Account and will be available, to the extent described herein, for application in the manner and for the purposes described herein. Funds held in the Collection Account will be invested as promptly as practicable in Eligible Investments maturing prior to the next Payment Date.

Reserve Account and Reserve Account Strip	On the Closing Date, the Issuer will make an initial deposit of U.S.$400,000 into the Reserve Account (the "**Reserve Account Deposit**"). The cash amount in the Reserve Account and any accrued earnings thereon will be used to cover (i) any shortfalls in the amount available to pay any Class A-X Payment Amount and any interest on the Senior Notes, (ii) after the Amortizing Nominal Balance of the Class A-X Notes and the principal amount of the Senior Notes have been reduced to zero, any shortfalls in the amount available to pay interest on the Class B Mezzanine Notes, (iii) after the principal amount of the Class B Mezzanine Notes has been reduced to zero, any shortfalls in the amount available to pay interest on the Class C Mezzanine Notes and (iv) after the principal amount of the Class C Mezzanine Notes has been reduced to zero, any shortfalls in the amount available to pay interest on the Class D Mezzanine Notes. The cash amount in the Reserve Account will not be replenished. There can be no assurance that the amount of Reserve Account Deposit available in the Reserve Account will be sufficient for these purposes. In addition, the Trustee will hold the Reserve Account Strip in the Reserve Account. The only payment due on the Reserve Account Strip will be a payment of U.S.$4,000,000 due on its maturity date on September 15, 2016. That payment will be applied as a Principal Collection on the Payment Date following its receipt and will be distributed pursuant to clause (b) of the Priority of Payments.
The Trustee	The Bank of New York will be the Trustee under the Indenture.
The Administrator	Maples Finance Limited will act as administrator (in such capacity, the "**Administrator**") and will perform certain administrative services for the Issuer in the Cayman Islands.
Independent Accountants	Deloitte & Touche LLP, will periodically perform certain calculations relating to the Capital Securities as required by the Indenture.
Listing and General Information	Application has been made to the Irish Financial Services Regulatory Authority ("**IFSRA**"), as competent authority under Directive 2003/71/EC, for the Offering Circular to be approved. Application has been made to the Irish Stock Exchange ("**ISE**") for the Class A-X Notes, the Senior Notes and the Mezzanine Notes to be admitted to the Official List and to trading on its regulated market. Such approval will relate only to the Class A-X Notes, the Senior Notes and the Mezzanine Notes which are to be admitted to trading on the regulated market of the ISE or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area. There can be no assurance that such listing or admission to trading will be granted. This Offering Circular constitutes a "**Prospectus**" for purposes of Directive 2003/71/EC. See "Listing and General Information".
Income Tax Considerations	For a discussion of certain tax consequences to purchasers of the Notes, see "Income Tax Considerations".

ERISA Considerations	The Class A-X Notes, the Senior Notes and the Mezzanine Notes are generally eligible for purchase by or on behalf of "employee benefit plans" and other similar retirement plans and arrangements that are subject to the United States Employee Retirement Income Security Act of 1974, as amended, Section 4975 of the United States Internal Revenue Code of 1986, as amended, or any similar laws or regulations, and by entities whose underlying assets are considered to include the assets of such plans and arrangements, provided that certain conditions are satisfied. Subject to the limitations described under "Certain ERISA Considerations", the Income Notes in certificated form may also be purchased by or on behalf of such plans, arrangements and entities if certain conditions described under that caption are satisfied. However, any fiduciary of such a plan, arrangement or entity that is considering an investment in the Income Notes should consult with counsel concerning the consequences of such a purchase. Income Notes that are Regulation S Global Notes may not be purchased by any Benefit Plan Investor (as defined under "Certain ERISA Considerations") or by persons with authority or control over the assets of the Co-Issuers. See "Certain ERISA Considerations".
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 conditions on investment in the Notes. See "Certain Legal Investment Considerations".
Ratings of Notes	It is a condition to the issuance of the Notes that the Class A-X Notes and each class of Senior Notes be rated "Aaa" by Moody's Investors Service, Inc. ("**Moody's**"), "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") and "AAA" by Fitch Ratings ("**Fitch**"), that each class of Class B Mezzanine Notes be rated at least "Aa2" by Moody's and at least "AA" by Fitch, that each class of Class C Mezzanine Notes be rated at least "A3" by Moody's and at least "A-" by Fitch and that the Class D Mezzanine Notes be rated at least "BBB" by Fitch. The Income Notes will not be rated. The rating assigned by Moody's to a class of Notes will address the ultimate cash receipt of all interest and principal payments thereon. The rating assigned by S&P to the Class A-X Notes and to each class of Senior Notes will address the timely payment of interest on and the ultimate receipt of principal of such class of Notes. The ratings assigned by Fitch to the Class A-X Notes and to each class of Senior Notes will address the likelihood that investors will receive full and timely payments of interest, as well as the Aggregate Principal Amount or the Amortizing Nominal Balance, as applicable, of the Notes of the related class by the applicable Stated Maturity Date. The ratings assigned by Fitch to each class of Mezzanine Notes will address the likelihood that investors will receive ultimate interest and deferred interest payments, as well as the Aggregate Principal

Amount of the Mezzanine Notes of the related class by the applicable Stated Maturity Date.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. In the event that a rating initially assigned to the Class A-X Notes, the Senior Notes or the Mezzanine Notes is subsequently lowered for any reason, no person or entity is obligated to provide any additional support or credit enhancement with respect to the Notes.

RISK FACTORS

Prospective Noteholders should consider, among other things, the following factors in connection with their purchase of Notes.

Risk Factors relating to the Notes and the Co-Issuers

1. *Non-recourse Obligations*. The Class A-X Notes, the Senior Notes and the Mezzanine Notes will be non-recourse obligations of the Co-Issuers, and the Income Notes will be non-recourse obligations of the Issuer. The Notes will be payable solely from the Trust Estate (including the Capital Securities, the amounts on deposit in the Reserve Account, the Reserve Account Strip and payments, if any, under the Hedge Agreements). The Issuer will have no significant assets other than the Capital Securities, the Eligible Investments, the Reserve Account Strip, its interest in the Hedge Agreements, the benefit of the Guarantees and the Collateral Accounts. The Co-Issuer will have no significant assets. Except for the Co-Issuers, no person or entity will be obligated to make any payments on the Notes. The Notes are not deposits or other obligations of any bank or insurance company and are not insured or guaranteed by the FDIC, any insurance fund, any insurance regulatory authority or any other governmental agency or instrumentality. Consequently, Noteholders must rely solely upon collections on the Capital Securities, including reinvestment income, the single payment due on the maturity date of the Reserve Account Strip, the amounts on deposit in the Reserve Account and payments, if any, under the Hedge Agreements for the payment of amounts payable in respect of the Notes. If those collections and payments are insufficient to make payments on the Notes, no other assets of the Issuer or any other person or entity will be available for the payment of the deficiency.

2. *Fixed/Floating Rate Mismatch Risk; Unhedged Interest Rate Risk.* The Senior Notes, the Class B-1 Mezzanine Notes, the Class C-1 Mezzanine Notes and the Class D-1 Mezzanine Notes and, following the Five-Year Fixed Rate Period, the Class B-2 Mezzanine Notes and the Class C-2 Mezzanine Notes, will bear interest at a floating rate based on LIBOR. Also, the Class B-2 Mezzanine Notes and the Class C-2 Mezzanine Notes will bear interest at their fixed rates during the Five-Year Fixed Rate Period, and the Class A-X Notes will bear interest at a fixed rate. The Capital Securities will bear interest at either a fixed rate or a floating rate based on LIBOR. The Issuer will enter into Fixed/Floating Swaps, which will be used to exchange fixed rate payments for LIBOR-based floating rate payments to provide a source of funding for the floating rate interest payments on the Senior Notes and the Mezzanine Notes. The Issuer will also enter into a Fixed/Floating Swap which will be used to exchange LIBOR-based floating rate payments for fixed rate payments to provide a source of funding for the fixed rate interest payments on the Class B-2 Mezzanine Notes and the Class C-2 Mezzanine Notes during the Five-Year Fixed Rate Period. Although the Issuer will enter into the Fixed/Floating Swaps, under certain circumstances a fixed/floating interest rate mismatch may exist between the Senior Notes and the Mezzanine Notes and the Capital Securities. This mismatch may occur as a result of, among other things, prepayments, deferrals or defaults in respect of certain Capital Securities, dispositions of certain Capital Securities or redemptions of Notes in accordance with the Priority of Payments. In addition, (i) the number of days in the accrual period for the Fixed/Floating Swaps may sometimes be less than the number of days in the related accrual period for the Notes and (ii) LIBOR for each Interest Accrual Period for the Notes, for each quarterly period for the Capital Securities and for each Fixed/Floating Swap will, in certain cases, be determined on dates that are not the same and therefore LIBOR, as respectively determined with respect to the Notes, the Capital Securities and the Fixed/Floating Swaps, may be different. Such mismatches may adversely affect the Issuer's ability to pay amounts due on the Senior Notes and the Mezzanine Notes and may cause a decrease (or a reduction to zero) in the amount available for distributions on the Income Notes.

The ability of the Issuer to meet its obligation to pay interest on the Class A-X Notes, the Senior Notes and the Mezzanine Notes and to make distributions on the Income Notes will be partially dependent on the performance of each Hedge Provider under the related Hedge Agreement. If any Hedge Provider were to fail to pay its obligations under the related Hedge Agreement in full, or if, for any reason, any Hedge Agreement were to be terminated, shortfalls could occur and the Holders of the Senior Notes, the Mezzanine Notes and the

Income Notes could suffer a loss. A failure to pay the full amount of interest on the Class A-X Notes or the Senior Notes, or, if the Class A-X Notes and the Senior Notes have been paid in full, on the Class B Mezzanine Notes, or if the Class B Mezzanine Notes have been paid in full, on the Class C Mezzanine Notes, or if the Class C Mezzanine Notes have been paid in full, on the Class D Mezzanine Notes when due that continues for five days will be an Event of Default.

Although the Fixed/Floating Swaps will be entered into in order to provide a hedge against mismatches in interest rates and changing interest rates, no assurance can be given as to whether the Fixed/Floating Swaps will in fact provide an adequate hedge under all circumstances. See "Description of the Hedge Agreements." If a Fixed/Floating Swap is terminated for any reason (including an event of default or termination event prior to its contractual termination date or the prepayment or other disposition of certain Capital Securities prior to its contractual termination date), the Issuer may be obligated to make a termination payment to the related Swap Counterparty, depending on interest rate market conditions at that time. Such termination payments could be substantial, will be payable in accordance with the Priority of Payments and will decrease, or reduce to zero, the amount otherwise available for distributions on the Income Notes.

In addition, from time to time the number of days in an Interest Accrual Period may be greater than the number of days in the related quarterly period during which interest accrues on some of the Capital Securities. Such mismatches may adversely affect the amount of Interest Collections available for payment on the Notes on the related Payment Date.

3. *Interest Rate and Interest Rate Cap Risk; Accrual Periods; Timing Swap*. Distributions on the PreTSL III PreTS[sm] will be made at a floating rate based on LIBOR but will not exceed 12.50% per annum during a period of approximately five years following the Closing Date. The Senior Notes and some of the Mezzanine Notes will bear interest at a rate per annum based on LIBOR for the related Interest Accrual Period plus the related spread and will not be subject to any maximum rate.

If LIBOR exceeds 8.92%, the amount of Interest Collections (exclusive of any Cap Interest Differential Amount) may not be sufficient to pay interest on the Class A-X Notes, the Senior Notes and the Mezzanine Notes, to make any distributions on the Income Notes or to make payments due under the Hedge Agreements. The purpose of the Interest Rate Cap is to mitigate the risk of any such deficiency. Pursuant to the terms of the Interest Rate Cap, on the first day of each February, May, August and November to and including August 1, 2011, the Interest Rate Cap Provider will pay the Issuer the Cap Interest Differential Amount, if any.

The LIBOR rate for the PreTSL III PreTS[sm] will be set two London Banking Days preceding the beginning of each interest accrual period thereunder on each January 31, April 30, July 31, and October 31. LIBOR for an Interest Accrual Period with respect to the Notes will be determined on each LIBOR Determination Date, which will be the date that is two London Banking Days preceding the Index Capital Security Payment Date in the month in which such Interest Accrual Period commences (i.e., each March 15, June 15, September 15 and December 15). If the LIBOR rate for an interest accrual period in respect of the PreTSL III PreTS[sm] is set at a rate that is less than the LIBOR Rate for the corresponding Interest Accrual Period in respect of the Notes, the amount of Interest Collections (exclusive of any Hedge Receipt Amounts with respect to the Timing Swap) may not be sufficient to pay interest on the Class A-X Notes, the Senior Notes and the Mezzanine Notes, to make any distributions on the Income Notes or to make payments due under the Hedge Agreements. The purpose of the Timing Swap is to mitigate the risk of any such deficiency. Pursuant to the terms of the Timing Swap, the Issuer will be required to make certain payments to the Timing Swap Counterparty based on the notional amount of the Timing Swap and LIBOR, as determined on or about the date that LIBOR is determined with respect to the PreTSL III PreTS[sm], and the Timing Swap Counterparty will be required to make certain payments to the Issuer based on the notional amount of the Timing Swap and LIBOR, as determined on or about the LIBOR Determination Date for the related Interest Accrual Period for the Notes. No assurance can be given that the Timing Swap will mitigate the risk of such a deficiency.

The ability of the Issuer to meet its obligation to pay interest on the Class A-X Notes, the Senior Notes and the Mezzanine Notes and to make payments under the Hedge Agreements may therefore be dependent on the performance by the Interest Rate Cap Provider and the Timing Swap Counterparty of their respective payment obligations under the Interest Rate Cap and the Timing Swap. If either such Hedge Provider were to fail to pay its obligations under its Hedge Agreement in full, or if, for any reason, either such Hedge Agreement were to be terminated, shortfalls could occur and the Holders of the Class A-X Notes, the Senior Notes, the Mezzanine Notes and the Income Notes could suffer a loss. A failure to pay the full amount of interest on the Class A-X Notes or the Senior Notes, or, if the Class A-X Notes and the Senior Notes have been paid in full, on the Class B Mezzanine Notes, or if the Class B Mezzanine Notes have been paid in full, on the Class C Mezzanine Notes, or if the Class C Mezzanine Notes have been paid in full, on the Class D Mezzanine Notes when due that continues for five days will be an Event of Default.

4. *Timing of Principal Payments on the FP Notes; Subordination of the Class A-2 Senior Notes to the Class A-1 Senior Notes.* Payments of principal and interest on the Notes are subject to the Priority of Payments provisions described herein. Under some of those provisions, so long as (1) each Coverage Test is satisfied, (2) the Notes have not been accelerated after the occurrence of an Event of Default, (3) no payments are being made pursuant to clause (a)(x)(I) of the Priority of Payments and (4) the Credit Migration Test and the Collateral Balance Test are both satisfied, principal payments will generally be made on the FP Notes in the order of priority set forth in the Priority of Payments until the Aggregate Principal Amount of the FP Notes is reduced to zero before any principal payments are made on the Class A-1 Senior Notes or the Class A-2 Senior Notes. However, if (1) any Coverage Test is not satisfied, (2) the Notes have been accelerated after an Event of Default, (3) payments are being made pursuant to clause (a)(x)(I) of the Priority of Payments or (4) the Credit Migration Test or the Collateral Balance Test is not satisfied, then the Class B-FP Mezzanine Notes, the Class C-FP Mezzanine Notes and the Class D-FP Mezzanine Notes will be subordinated to the Senior Notes to the extent described in the Priority of Payments. Except in the case of payments on the Class A-2 Notes as a result of a failure to satisfy a Coverage Test in respect of the Mezzanine Notes, payments of principal on the Class A-2 Senior Notes will be made only after the Aggregate Principal Amount of the Class A-1 Senior Notes has been reduced to zero.

5. *Subordination of Mezzanine Notes.* Payments of principal and interest on the Notes are subject to the Priority of Payments provisions described herein. To the extent described in the Priority of Payments, the Class B Mezzanine Notes will be subordinated to the Class A-X Notes and the Senior Notes and to the payment of certain fees and expenses of the Co-Issuers. To the extent described in the Priority of Payments, the Class C Mezzanine Notes will be subordinated to the Class A-X Notes, the Senior Notes and the Class B Mezzanine Notes and to the payment of certain fees and expenses of the Co-Issuers. To the extent described in the Priority of Payments, the Class D Mezzanine Notes will be subordinated to the Class A-X Notes, the Senior Notes, the Class B Mezzanine Notes and the Class C Mezzanine Notes and to the payment of certain fees and expenses of the Co-Issuers. Notwithstanding the foregoing, under the circumstances described in the preceding paragraph, principal payments on the FP Notes may be made before principal payments are made on the other Senior Notes and Mezzanine Notes. Payments of principal on the FP Notes will be applied among the Classes of FP Notes in the order of priority described in the Priority of Payments.

In addition, in the case of a Default (as defined in the Indenture) or an Event of Default, the Holders of Class A-X Notes and Senior Notes will generally be entitled to determine the remedies to be exercised under the Indenture. Remedies pursued by the Holders of the Class A-X Notes and the Senior Notes under the Indenture or the exercise of any other rights under the Indenture by the Holders of the Class A-X Notes and the Senior Notes could be adverse to the interests of the Holders of Mezzanine Notes. If the Notes are accelerated after an Event of Default, the Mezzanine Notes are not entitled to receive any payments until the Holders of the Senior Notes have been paid in full. If the Senior Notes are no longer outstanding, in the case of a Default (as defined in the Indenture) or an Event of Default, the Holders of the Class B Mezzanine Notes will generally be entitled to determine the remedies to be exercised under the Indenture. Remedies pursued by the Holders of the Class B Mezzanine Notes under the Indenture or the exercise of any other rights under the Indenture by the Holders of the Class B Mezzanine Notes could be adverse to the interests of the Holders of the Class C

Mezzanine Notes and the Class D Mezzanine Notes. If the Notes are accelerated after an Event of Default, the Class C Mezzanine Notes are not entitled to receive any payments until the Holders of the Class B Mezzanine Notes have been paid in full. Remedies pursued by the Holders of the Class C Mezzanine Notes under the Indenture or the exercise of any other rights under the Indenture by the Holders of the Class C Mezzanine Notes could be adverse to the interests of the Holders of the Class D Mezzanine Notes. If the Notes are accelerated after an Event of Default, the Class D Mezzanine Notes are not entitled to receive any payments until the Holders of the Class C Mezzanine Notes have been paid in full. See "The Indenture—Events of Default" and "—Enforcement of Certain Obligations; Capital Securities in Default".

6. *Subordination of the Income Notes*. Payments of principal and interest on the Notes are subject to the Priority of Payments provisions described herein. Under those provisions, the Income Notes are subordinated to the Class A-X Notes, the Senior Notes and the Mezzanine Notes and to the payment of fees and expenses of the Co-Issuers. In addition, in the case of a Default (as defined in the Indenture) or an Event of Default, the Holders of the Class A-X Notes and the Senior Notes, until they have been paid in full, then the Holders of the Class B Mezzanine Notes, until they have been paid in full, then the Holders of the Class C Mezzanine Notes, until they have been paid in full, and then the Holders of the Class D Mezzanine Notes will generally be entitled to determine the remedies to be exercised under the Indenture. Remedies pursued by the Holders of the Class A-X Notes and the Senior Notes or the Holders of the Mezzanine Notes under the Indenture or the exercise by such Holders of any other rights under the Indenture exercised by such Holders could be adverse to the interests of the Holders of Income Notes. Once an Event of Default and acceleration have occurred, Income Notes are not entitled to receive any payments until the Class A-X Notes, the Senior Notes and the Mezzanine Notes have been paid in full. See "The Indenture—Events of Default" and "—Enforcement of Certain Obligations; Capital Securities in Default".

7. *Price Volatility of the Reserve Account Strip*. The market for securities such as the Reserve Account Strip has experienced periods of volatility in the past. Any liquidation of the Reserve Account Strip prior to its maturity date could be at amounts less than the Accreted Value of the Reserve Account Strip set forth on Annex C for the related Payment Date. Consequently, purchasers of the Income Notes bear a high risk of losing part of their investment. See "Description of the Notes—Redemption and Prepayments—*Redemption Upon Auction Sale of Capital Securities*."

8. *Undercollateralization of the Income Notes; Volatility in Valuation*. The initial Aggregate Principal Amount of the Notes other than the Class A-X Notes (U.S.$1,527,050,000) will exceed the sum of (x) the initial aggregate Principal Balance of the Capital Securities and (y) the single payment due on the Reserve Account Strip (such sum being U.S.$1,471,000,000). In addition, Interest Collections may be applied pursuant to clause (a)(ii)(y) of the Priority of Payments to pay the Amortizing Nominal Balance of the Class A-X Notes (U.S.$33,500,000) and Principal Collections may be applied pursuant to clause (b)(vi)(y) of the Priority of Payments to pay the Amortizing Nominal Balance of the Class A-X Notes. Both such applications are senior to payments on the Income Notes. As a result, the Income Notes will be undercollateralized. Consequently, Principal Collections will be insufficient to pay the entire Aggregate Principal Amount of the Income Notes. Over the term of their investment, therefore, Holders of Income Notes will rely on the distribution of excess Interest Collections for their ultimate return. Any redemption or other disposition of the Capital Securities prior to their maturity dates will decrease, or reduce to zero, the amount of Interest Collections payable on the Income Notes. Any deferral of interest or other failure to pay interest on any of the Capital Securities for any reason will decrease, or reduce to zero, the amount of Interest Collections payable on the Income Notes. The failure of any Hedge Provider to perform its obligations or the payment by the Issuer of a termination payment to a Hedge Provider will also decrease, or reduce to zero, the amount of Interest Collections payable on the Income Notes. Consequently, purchasers of the Income Notes bear a high risk of losing all or part of their investment. Each of these factors and the factors referred to in "*—11. Stated Maturity Date, Average Life and Prepayment Considerations*" below may change quickly and may have an immediate, material adverse effect on any valuation of the Income Notes.

9. *Limited Liquidity of the Capital Securities*. The Capital Securities are or will be privately issued securities (i.e., not registered under any federal or state securities laws or the securities laws of any other jurisdiction). Therefore, any transfer of a Capital Security will be subject to the satisfaction of legal requirements applicable to transfers that do not require registration of such Capital Security under any such securities laws. Any such transfer will also be subject to the provisions of the related Underlying Instrument. Many of the Capital Securities were originated for the purposes of this or similar transactions. Consequently, the Capital Securities will be extremely illiquid investments, and it is unlikely that any of the Capital Securities that default could be sold on economically acceptable terms. Therefore, it is expected that if any of the Capital Securities defaults, the Trustee will be able to realize any recovery value only by engaging in a restructuring, bringing enforcement proceedings and/or similar measures. Such actions will subject the Issuer and the Noteholders to greater uncertainties with respect to the timing and amount of any ultimate recovery than a sale of the defaulted Capital Securities if such a sale were possible. In addition, there can be no assurance that any auction of the Capital Securities, as provided for under the Indenture and described herein, will result in a sale of the Capital Securities.

10. *Limited Liquidity of Notes; Restrictions on Transfer*. There is no market for any of the Notes being offered hereby and, as a result, a purchaser must be prepared to hold the Notes for an indefinite period of time or until the maturity thereof. The Notes will be owned by a relatively small number of investors and it is highly unlikely that an active secondary market for the Notes will develop. Purchasers of the Notes may find it difficult or uneconomic to liquidate their investment at any particular time. The Notes have not been and will not be registered under the Securities Act or under any United States state securities or "Blue Sky" laws or the securities laws of any other jurisdiction and are being issued and sold in reliance upon exemptions from registration provided by such laws. No Note may be sold or transferred unless such sale or transfer (i) is exempt from the registration requirements of the Securities Act and applicable state securities laws, (ii) will not constitute or result in a non-exempt "prohibited transaction" under ERISA or Section 4975 of the Code, (iii) will not result in Benefit Plan Investors owning 25% or more of the Income Notes, (iv) in the case of the Class A-X Notes and the Senior Notes, is made to (A) a non-U.S. Person outside the United States, or (B) a "qualified purchaser" (within the meaning of Section 2(a)(51) of the United States Investment Company Act of 1940, as amended (the "**Investment Company Act**"), and the rules thereunder) that is also a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act), (v) in the case of the Mezzanine Notes, is made to (A) a non-U.S. Person outside the United States, or (B) a qualified purchaser that is also either a qualified institutional buyer or an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) and (vi) in the case of the Income Notes, is made to (A) a non-U.S. Person outside the United States, or (B) a qualified purchaser that is also either a qualified institutional buyer or an "accredited investor" (within Rule 501(a) under the Securities Act). Prospective transferees of Certificated Notes will be required pursuant to the terms of the Indenture to deliver a certificate to the Trustee and the Co-Issuers relating to compliance with the Securities Act, applicable state securities laws, ERISA and any other transfer restrictions, and transferees of beneficial interests in a Rule 144A Global Note, Temporary Regulation S Global Note or Regulation S Global Note will be deemed to have made certain representations set forth in the Indenture and described herein. The Co-Issuers will not provide registration rights to any purchaser of the Notes and neither the Co-Issuers, the Trustee, nor any other person may register the Notes under the Securities Act or any other securities laws. See "Transfer Restrictions".

11. *Stated Maturity Date, Average Life and Prepayment Considerations*. The Stated Maturity Date of each class of Notes other than the Class A-X Notes is the Payment Date occurring in December 2036. The Stated Maturity Date of the Class A-X Notes is the Payment Date occurring in September 2011. The average lives of the Class A-X Notes, the Senior Notes and the Mezzanine Notes will be shorter than the number of years until their respective Stated Maturity Dates, and the Notes may be redeemed in accordance with the Priority of Payments, if and to the extent the following payments are made:

(a) on Payment Dates prior to the respective Stated Maturity Dates (i) prepayments and any premiums received on the Capital Securities (other than any premium paid in connection with the redemption or prepayment of any PreTSL III PreTS[sm] or any I-SMS) or final payments received on

any Capital Security and (ii) solely in the case of the Senior Notes and the Mezzanine Notes, (A) Coverage Prepayments if any Coverage Test is not met in connection with any such Payment Date, (B) payments pursuant to clause (a)(x) of the Priority of Payments and (C) payments pursuant to clause (a)(xi)(B) of the Priority of Payments;

(b) on the Payment Date following the maturity date of the Reserve Account Strip, the single payment due on the Reserve Account Strip;

(c) on the Payment Date related to the sale, if any, of a Capital Security that has become a Defaulted Security to Income Noteholders, as described under "Description of the Notes—Redemption and Prepayments—*Redemption Upon Default or Extension of Capital Securities*", the proceeds of such sale allocable to principal;

(d) on the Payment Date related to the sale, if any, of the Capital Securities to Income Noteholders, as described under "Description of the Notes—Redemption and Prepayments—*Redemption by Holders of Income Notes*", the net proceeds of such sale;

(e) on the Payment Date following the auction sale, if any, of the Capital Securities as described under "Description of the Notes—Redemption and Prepayments—*Redemption Upon Auction Sale of Capital Securities*", the net proceeds of such auction sale allocable to principal; and

(f) solely in the case of the Class A-X Notes, payments pursuant to clauses (a)(ii), (b)(iii) and (b)(vi)(y) of the Priority of Payments.

Any prepayment made with respect to any of the Capital Securities during any Due Period will be applied, on the next succeeding Payment Date, as Principal Collections in accordance with clause (b) of the Priority of Payments. The Capital Securities may be prepaid on or after their respective First Call Dates (or, in the case of certain I-SMS, at any time) at the option of the related Capital Securities Issuer, as applicable. The First Call Date for the Unmodified PreTSL III PreTS[sm] occurred on July 31, 2006. Prepayments on each of the Trust Preferred Capital Securities will depend directly on prepayments on the related Corresponding Debentures. Prepayments on the Capital Securities (and the Corresponding Debentures) will depend on, among other things, the prevailing levels of interest rates and applicable spreads (which will affect the incentive of a Capital Securities Issuer (or, in the case of the Trust Preferred Capital Securities, a Corresponding Debenture Issuer's incentive) to voluntarily prepay its Capital Securities (or in the case of the Trust Preferred Capital Securities, the Corresponding Debentures issued by the Corresponding Debenture Issuers), the financial condition of the Capital Securities Issuers (or, in the case of the Trust Preferred Capital Securities, the Corresponding Debenture Issuers) and the availability of alternative financing in the form of equity, debt or hybrid instruments (which will affect the ability of each Capital Securities Issuer (or, in the case of the Trust Preferred Capital Securities, each Corresponding Debenture Issuer's ability) to refinance its Capital Securities (or Corresponding Debentures) if it so desires), the occurrence of changes or prospective changes involving tax law (which could constitute a Tax Event that would permit the redemption of the affected Corresponding Debentures and the corresponding redemption of the related Trust Preferred Capital Securities) and the Investment Company Act (which could, with respect to the Trust Preferred Capital Securities, constitute a Special Event that would permit the redemption of the affected Corresponding Debentures and the corresponding redemption of the related Trust Preferred Capital Securities at any time), changes or prospective changes in accounting treatment, and whether the permission of the Applicable Regulator is required for prepayment of any Corresponding Debentures, or certain other Capital Securities under capital adequacy guidelines and, if so, whether the Applicable Regulator grants such permission. See "—Risk Factors Relating to the D-Capital Securities—20. *Accounting and Regulatory Issues with respect to the PreTS[sm] and the Trust Preferred D-SMS*" and "—Risk Factors Relating to the I-Capital Securities—*23. Nature of the I-PreTS[sm] and the Related Corresponding Debentures*" below.

Certain Interest Collections, including all payments of premium, if any, on any prepayment of the PreTSL III PreTS[sm], will be applied to pay principal of the Class A-X Notes as described under "Description of the Notes—Payments on the Notes—*Payments on the Class A-X Notes*". Consequently, the rate of payments of principal on the Class A-X Notes will be very sensitive to prepayments on the PreTSL III PreTS[sm]. The interest rates borne by the PreTSL III PreTS[sm] are currently well above the current market interest rate for newly originated comparable securities. All of the Unmodified PreTSL III PreTS[sm] are currently redeemable at the option of the related issuer thereof. A premium is payable in connection with such an optional redemption as described under "Description of the D-Capital Securities—Redemption and Prepayment of the D-Capital Securities Documents—*Redemption Price for the PreTS[sm]*". The amount of any such premium paid will be applied pursuant to clause (a)(ii) of the Priority of Payments. The amount, if any, applied to reduce the Amortizing Nominal Balance of the Class A-X Notes on each Payment Date is determined in the manner set forth under "Description of the Notes—Payments on the Notes—*Payments on the Class A-X Notes*".

The priority of the FP Notes in respect of the receipt of Principal Collections will also be affected by (x) defaults or deferrals of interest on, and prepayments of, the Capital Securities and (y) S&P's credit estimates of the Capital Securities. If the Credit Migration Test and the Collateral Balance Test are both met as of a Calculation Date, then on the related Payment Date, subject to the availability of funds, distributions may be made pursuant to clause (b)(iv) of the Priority of Payments to the holders of each class of FP Notes on a *pro rata* basis based on then outstanding Principal Allocation Balance of each such class. Defaults or deferrals of interest on, and prepayments of, the Capital Securities or any other deterioration of the credit of the Capital Securities may result in a reduction of the Aggregate Principal Amount of the Capital Securities and/or the Adjusted Collateral Principal Amount of the Capital Securities and a failure to satisfy the Credit Migration Test and/or the Collateral Balance Test. In addition, a reduction of the Aggregate Principal Amount of the Capital Securities and/or the Adjusted Collateral Principal Amount of the Capital Securities may cause a reduction of the Principal Allocation Balance of one or more classes of FP Notes as a result of, among other things, (a) a failure to satisfy one or more Coverage Tests applicable to calculation of the Principal Allocation Balance of such class of FP Notes or (b) an increase in the Collateral Reduction Amount. See "*—4. Timing of Principal Payments on the FP Notes; Subordination of the Class A-2 Senior Notes to the Class A-1 Senior Notes.*" and "Description of the Notes—Priority of Payments" and "—Tests Relating to Certain Principal Payments on the FP Notes". A change in the priority of the FP Notes of any class may cause an extension of the average life such Notes.

If any of the proceeds of the offering of the Notes have not been applied to the purchase of Capital Securities as described under "Use of Proceeds", then such unused proceeds will be applied on a *pro rata* basis to the redemption of principal of each Class of Notes.

The Holders of the Notes will have no control over the timing or amount of any prepayments on the Capital Securities. Prepayments of the Capital Securities may result in the remaining portfolio of Capital Securities being more concentrated and of lower overall credit quality, which could have a material adverse effect on the Notes.

The receipt of proceeds, if any, from any sale of a Defaulted Security to the Holders of the Income Notes, as described under "Description of the Notes—Redemption and Prepayments—*Redemption Upon Default or Extension of Capital Securities*", or any disposition of a Capital Security upon certain breaches of certain representations and warranties, as described under "Description of the Notes—Redemption and Prepayments", will have the same effect as a prepayment. All such dispositions and prepayments will reduce the amount of any future Interest Collections available for distributions on the Income Notes.

If the Senior Coverage Test is not met as of any Calculation Date, Senior Coverage Prepayments will be made on the Senior Notes in the priority described herein. If the Class B Mezzanine Coverage Test is not met as of any Calculation Date, Class B Mezzanine Coverage Prepayments will be made on the Senior Notes and the Class B Mezzanine Notes in the priority described herein. If the Class C Mezzanine Coverage Test is

not met as of any Calculation Date, Class C Mezzanine Coverage Prepayments will be made on the Senior Notes, the Class B Mezzanine Notes and the Class C Mezzanine Notes in the priority described herein. If the Class D Mezzanine Coverage Test is not met as of any Calculation Date, Class D Mezzanine Coverage Prepayments will be made on the Senior Notes, the Class B Mezzanine Notes, the Class C Mezzanine Notes and the Class D Mezzanine Notes in the priority described herein. The foregoing may occur, if any Capital Securities Issuers fail to make scheduled payments (including as a result of a Corresponding Debenture Issuer's exercise of its right to defer interest payments on its Corresponding Debentures). In addition, any premium received in connection with the Special Event redemption of any PreTS[sm] (excluding any PreTSL III PreTS[sm]), any I-PreTS[sm], any R-PreTS[sm] or any other Capital Security will be applied on the next succeeding Payment Date as Principal Collections in accordance with clause (b) of the Priority of Payments. Any premium received in connection with any redemption of any PreTSL III PreTS[sm] will by applied on the next succeeding Payment Date as Interest Collections in accordance with clause (a) of the Priority of Payments.

On or after the September 2016 Payment Date, payments of principal of the Notes may be made pursuant to clause (a)(xi)(B) of the Priority of Payments if there are Interest Collections remaining after the payments set forth in clauses (a)(i) through (a)(xi)(A) of the Priority of Payments have been made. 60% of such remaining Interest Collections will be applied to pay principal of the Class A-FP Senior Notes, the Class A-1 Senior Notes, the Class A-2 Senior Notes, the Class B Mezzanine Notes, the Class C Mezzanine Notes or the Class D Mezzanine Notes, as applicable, in the order of priority set forth in clause (a)(xi)(B) in the Priority of Payments. In addition, Interest Collections may also be applied to the payment of principal of the Senior Notes, the Class B Mezzanine Notes, the Class C Mezzanine Notes and the Class D Mezzanine Notes when Senior Coverage Prepayments, Class B Mezzanine Coverage Prepayments, Class C Mezzanine Coverage Prepayments or Class D Mezzanine Coverage Prepayments are made and when payments are made pursuant to clause (a)(x) of the Priority of Payments. Such applications of Interest Collections and the application of any premium referred to in the prior paragraph will reduce or eliminate cash distributions to Holders of the Income Notes, but will not reduce the taxable income of the Holders of Income Notes that are subject to U.S. federal income tax and that have made an election to treat their interests in the 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 be greater than the distributions received by such Holder. See "Income Tax Considerations—United States Federal Income Tax Considerations—*Tax Consequences to Holders of the Income Notes*".

Lastly, prior to each Payment Date starting with the September 2016 Payment Date, the Trustee will solicit bids in an auction for the purchase of the Capital Securities. If a bid satisfying certain conditions is received, the Trustee will sell the Capital Securities and redeem the Senior Notes and Mezzanine Notes. In the event of such a sale, the Trustee would also liquidate the Issuer's other assets. Thereafter, there would be no further payments on the Income Notes after the Holders of the Income Notes receive the net sale proceeds, if any, and net liquidation proceeds, if any, remaining after payment in full of the Senior Notes and Mezzanine Notes. In the event such auction does not result in a successful sale, the Trustee will repeat the auction prior to each succeeding Payment Date until an auction sale occurs. There can be no assurance that there will be such a sale or, if there is such a sale, that there will be any remaining net sale proceeds or net liquidation proceeds to be distributed to the Holders of the Income Notes. Similarly, subject to the limitations and conditions described under "Description of the Notes—Redemption and Prepayments—*Redemption by Holders of Income Notes*, on any Payment Date occurring on or after the September 2011 Payment Date through the June 2016 Payment Date, Holders of at least 66⅔% of the Aggregate Principal Amount of the Income Notes who satisfy such conditions may effect a purchase of the Capital Securities. In such event, there can be no assurance that there will be any remaining net sale proceeds to be distributed to the Holders of the Income Notes or that each Holder of Income Notes will satisfy the conditions to being permitted to be a purchaser of the Capital Securities.

In the case of all payments of principal on the Notes, the Holders of such Notes will bear the risk of being able to reinvest such payments at a yield at least equal to the yield on such Notes.

12. *The Issuer*. The Issuer will be a newly formed exempted company incorporated with limited liability under the laws of the Cayman Islands and will have no prior operating history or prior business experience. The Issuer will have no significant assets other than the Capital Securities, the Eligible Investments and its interest in the Hedge Agreements, the benefit of the Guarantees, the Reserve Account Deposit, the Reserve Account Strip and the Collateral Accounts, each of which will be pledged to secure the Notes.

The Issuer will not engage in any business activity other than the issuance of the Notes as described herein, the acquisition of the Capital Securities, certain activities conducted in connection with the payment of amounts in respect of the Notes and other activities incidental to the foregoing. Because the Issuer will be a Cayman Islands company, it may not be possible for investors to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the United States securities laws.

13. *The Co-Issuer*. The Co-Issuer is a newly incorporated limited purpose Delaware corporation and has no prior operating history or prior business experience. The Co-Issuer does not have and will not have any significant assets. The Co-Issuer will not engage in any business activity other than the co-issuance of the Class A-X Notes, the Senior Notes and the Mezzanine Notes, and will not be an obligor on the Income Notes.

14. *Withholding Taxes*. Based on opinions of special tax counsel to the PreTS^{sm} Issuers, the Subordinated Debenture Issuers, the I-PreTS^{sm} Issuers, the I-DS Issuers, the Surplus Note Issuers and the R-PreTS^{sm} Issuers, representations of the Corresponding Debenture Issuers in respect of the PreTS^{sm}, the I-PreTS^{sm} and the R-PreTS^{sm} and representations of the Subordinated Debenture Issuers, the I-DS Issuers and the Surplus Note Issuers, the Issuer expects for U.S. federal income tax purposes: (i) the Corresponding Debentures underlying the PreTS^{sm}, the I-PreTS^{sm} and R-PreTS^{sm} will be classified as indebtedness, (ii) each PreTS^{sm} Issuer, I-PreTS^{sm} Issuer and R-PreTS^{sm} Issuer will be treated as a separate grantor trust, and accordingly, the Issuer, as holder of PreTS^{sm}, I-PreTS^{sm}, and R-PreTS^{sm} will generally be treated as the owner of a *pro rata* undivided interest in the related Corresponding Debentures and (iii) the Subordinated Debentures, the I-DS and the Surplus Notes will be classified as indebtedness. In addition, it is expected that (x) the Corresponding Debentures underlying each Trust Preferred D-SMS will be treated as debt for U.S. federal income tax purposes and that each Trust Preferred D-SMS Issuer will be treated as a separate grantor trust, and accordingly, the Issuer, as holder of Trust Preferred D-SMS, will generally be treated as the owner of a *pro rata* undivided interest in the related Corresponding Debentures based on the applicable Trust Preferred D-SMS documentation and (y) the I-SMS will be treated as debt for U.S. federal income tax purposes based on the applicable I-SMS documentation. Accordingly, the Issuer does not expect any material amount of income it derives in respect of the Capital Securities to be subject to withholding tax at the time they are acquired by the Issuer. However, if any of the Capital Securities were not debt or interests in debt for U.S. federal income tax purposes, income derived by the Issuer in respect of such Capital Securities would be subject to U.S. withholding taxes. Furthermore, if the tax law relating to withholding tax were to change, any of the Capital Securities could be subject to federal withholding tax. If such withholding tax (for which no "gross up" payment of additional amounts is required) were applicable to payments on all or any portion of the Capital Securities, such tax would reduce the amounts available to make payments on the Notes. There can be no assurance that the remaining payments on the Trust Estate would be sufficient to make timely payments of interest or principal on the Senior Notes or the Mezzanine Notes, or any payments in respect of the Income Notes. See "Income Tax Considerations—United States Federal Income Tax Considerations".

In addition, with respect to any of the Capital Securities that are issued by non-United States issuers, based on the opinion of counsel to such non-United States issuers, it is expected that payments will be made with respect to such Capital Securities without any withholding or deduction of tax by the relevant foreign jurisdiction at the time such Capital Securities are acquired by the Issuer. If the tax law relating to withholding tax were to change with the result that a withholding tax would be imposed on payments made by the non-United States issuer or if certain criteria for exemption from withholding tax are no longer satisfied, a withholding tax would be imposed on payments with respect to the relevant Capital Securities. It is expected that under the terms of the Capital Securities referred to in this paragraph a "gross up" payment of additional

amounts will be required (subject to certain limited exceptions) and, therefore, any withholding tax imposed on payments on all or a portion of such Capital Securities should not reduce the amounts available to make payments on the Notes. There can be no assurance that the "gross up" payment will be available in all circumstances or, if available, will be sufficient to offset the reduction in the payments on the Capital Securities referred to in this paragraph as a result of the withholding tax.

15. *Legislation and Regulations in Connection with the Prevention of Money Laundering*. 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, imposes anti-money laundering obligations on different types of financial institutions, including banks, broker-dealers and investment companies. The USA Patriot Act requires the Secretary of the United States Department of the Treasury (the "**Treasury**") to prescribe regulations to define the types of investment companies subject to the USA Patriot Act and the related anti-money laundering obligations. It is not clear whether the Treasury will require entities such as the Co-Issuers to enact anti-money laundering policies. It is possible that the Treasury will promulgate regulations requiring the Co-Issuers or the Placement Agents, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the Notes. Such legislation and/or regulations could require the Co-Issuers to implement additional restrictions on the transfer of the Notes. As may be required, the Co-Issuers reserve the right to request such information and take such actions as are necessary to enable them to comply with the USA Patriot Act.

16. *Conflicts of Interest Involving the Placement Agents*. Various potential and actual conflicts of interest may arise from the overall business and investment activities of each Placement Agent, their affiliates (including their respective partners, directors, officers and employees ("**Placement Agent Affiliates**")) and their respective clients, which include various Corresponding Debenture Issuers and Capital Securities Issuers. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive discussion of all potential conflicts.

A Placement Agent, its affiliates and Placement Agent Affiliates may have or may develop ongoing relationships and business dealings with one or more Capital Securities Issuers (or, in the case of the Trust Preferred Capital Securities, their Corresponding Debenture Issuers, or their respective Affiliates), may have loans outstanding to them and may own equity or debt securities issued by any of them. These business dealings, which may continue during the life of the Notes, may include, without limitation, (i) the provision of investment banking services, insurance services, commercial banking services, underwriting, other capital raising activities and financial advisory services (including, without limitation, services or advice with respect to the Capital Securities), (ii) the purchase and sale of assets and (iii) investment in debt or equity securities issued by, or loans made to, such entities (or the establishment of long, short or derivative positions with respect to such securities).

The Placement Agents have acted or are acting as placement agents in connection with all of the PreTS[sm], the Subordinated Debentures, the I-PreTS[sm], the Surplus Notes, the I-DS and the R-PreTS[sm] and have earned or are earning a fee, commission or other consideration in connection with such transactions. One of the Placement Agents, FTN Financial Capital Markets, a division of First Tennessee Bank National Association, acquired the PreTSL III PreTS[sm] on August 7, 2006 in connection with the optional redemption of the securities issued by PreTSL III with the intention of selling them to the Issuer, and the PreTSL III PreTS[sm] will be sold to the Issuer on or about the Closing Date. The SMS were or will be purchased by the Placement Agents or one or more of their affiliates in the secondary market with the intention of selling them to the Issuer and will be sold to the Issuer. In addition to the PreTSL III PreTS[sm], 31 PreTS[sm] having an initial Principal Balance of U.S.$343,550,000, five Subordinated Debentures having an initial aggregate Principal Balance of U.S.$46,000,000, one I-PreTS[sm] having an initial Principal Balance of U.S.$30,000,000 and two R-PreTS[sm] having an initial aggregate Principal Balance of U.S.$50,000,000 were issued prior to the Closing Date with the intention on the part of the Placement Agents of including such PreTS[sm], Subordinated Debentures,

I-PreTS[sm] and R-PreTS[sm] in a securitization vehicle and will be purchased by the Issuer from the Placement Agents or their affiliates.

A Placement Agent or any of its affiliates may, but is not obligated to, advise the Issuer or any Corresponding Debenture Issuer in respect of restructuring, redeeming or working out any of such Corresponding Debenture Issuer's debt obligations, including, without limitation, its Corresponding Debentures. A Placement Agent or any of its affiliates may provide similar services to the Subordinated Debenture Issuers, the I-DS Issuers, the Surplus Note Issuers and their respective affiliates in respect of their securities (including, without limitation, their Capital Securities) and their operations.

A Placement Agent or any of it affiliates may, but is not obligated to, acquire Notes from time to time and may exercise any rights in respect of such acquired Notes in the best interest of such Placement Agent and its affiliates.

17. *Conflict of Interest Arising from Trustee Being Trustee and a Hedge Provider*. The Bank of New York, which will be the Trustee, is also a Hedge Provider. Consequently, a conflict may arise in its role as Trustee in enforcing the payment obligations of itself as Hedge Provider under certain Hedge Agreements.

Risk Factors relating to the D-Capital Securities

18. *Nature of the PreTS[sm], the Trust Preferred D-SMS and the related Corresponding Debentures*; *Nature of the Subordinated Debenture issued by a Depository Institution Holding Company.* Each PreTS[sm] Issuer's and each Trust Preferred D-SMS Issuer's only source of cash to make payments on its D-Capital Securities will be payments it receives from its parent Affiliated Depository Institution HC on the related Corresponding Debentures. The obligations of each Affiliated Depository Institution HC under its related Guarantee and its Corresponding Debentures are subordinate and junior in right of payment to all present and future Senior Indebtedness of such Affiliated Depository Institution HC. No payment of principal of (including redemption payments, if any) or interest on any Corresponding Debenture of any Affiliated Depository Institution HC may be made if (i) any Senior Indebtedness of that Affiliated Depository Institution HC is not paid when due and any applicable grace period with respect to such default has ended with such default not having been cured or waived or ceasing to exist or (ii) the maturity of any Senior Indebtedness of that Affiliated Depository Institution HC has been accelerated because of a default. There are no terms in any PreTS[sm], any Trust Preferred D-SMS, any Corresponding Debenture or any related PreTS[sm] Guarantee or Trust Preferred D-SMS Guarantee that limit the ability of any Affiliated Depository Institution HC or any subsidiary of any Affiliated Depository Institution HC to incur additional indebtedness, liabilities and obligations, including such indebtedness that ranks senior to the Affiliated Depository Institution HC's Corresponding Debenture and Guarantee. See "Description of the D-Capital Securities Documents—PreTS[sm] Guarantee" and "—Description of the Corresponding Debentures Owned by PreTS[sm] Issuers—*Subordination*". The obligations of the Subordinated Debenture Issuer that is a depository institution holding company (the "**Holding Company Subordinated Debenture Issuer**") to make payments on its Subordinated Debenture (the "**Holding Company Subordinated Debenture**") are subordinate and junior in right of payment to all present and future Senior Indebtedness of the Holding Company Subordinated Debenture Issuer, and the considerations of this paragraph also apply to the payments on the Holding Company Subordinated Debenture. There are no terms in the Holding Company Subordinated Debenture that limit the ability of the Holding Company Subordinated Debenture Issuer or any subsidiary of the Holding Company Subordinated Debenture Issuer to incur additional indebtedness, liabilities and obligations, including such indebtedness that ranks senior to its Holding Company Subordinated Debenture or that contain financial or similar restrictive covenants or warranties.

The Corresponding Debentures issued by Affiliated Depository Institution HCs and the Subordinated Debenture issued by the Holding Company Subordinated Debenture Issuer are not deposits or other obligations of any depository institution and are not insured or guaranteed by the FDIC or any other governmental agency or instrumentality. Each of the Affiliated Depository Institution HCs that issue Corresponding Debentures and

the Holding Company Subordinated Debenture Issuer is the holding company of one or more depository institutions. Accordingly, each Affiliated Depository Institution HC's ability to make distributions on its Corresponding Debentures and the Holding Company Subordinated Debenture Issuer's ability to make distributions on its Holding Company Subordinated Debenture will be highly dependent upon the receipt of dividends, fees and other payments from its subsidiaries. In addition, the right of each Affiliated Depository Institution HC and the Holding Company Subordinated Debenture Issuer to participate in any distribution of assets of any subsidiary upon liquidation, reorganization or otherwise will be subject to the prior claims of the creditors (including any depositors) of such subsidiary, except to the extent that the Affiliated Depository Institution HC or the Holding Company Subordinated Debenture Issuer, as the case may be, is a creditor of the subsidiary recognized as such. Accordingly, each Affiliated Depository Institution HC's Corresponding Debentures and Guarantee and the Holding Company Subordinated Debenture Issuer's Holding Company Subordinated Debenture will effectively be subordinated to all existing and future liabilities and obligations of such Affiliated Depository Institution HC's or Holding Company Subordinated Debenture Issuer's subsidiaries.

There are also various legal and regulatory limitations on the extent to which an Affiliated Depository Institution HC's or the Holding Company Subordinated Debenture Issuer's depository institution subsidiaries may extend credit, pay dividends or otherwise supply funds to any such Affiliated Depository Institution HC or Holding Company Subordinated Debenture Issuer or various of their respective affiliates. Dividend payments from the depository institution subsidiaries of Affiliated Depository Institution HCs or the Holding Company Subordinated Debenture Issuer are subject to regulatory limitations, generally based on current and retained earnings of the depository institution subsidiary and other factors, imposed by law or regulation and, in some cases, require prior regulatory approval. Payment of dividends is also subject to regulatory restrictions if such dividends would impair the capital of the depository institution subsidiary and in certain other cases. Regulatory restrictions limiting the aggregate amount of loans to, and investments in, any single affiliate to various levels limit and may prevent Affiliated Depository Institution HCs and the Holding Company Subordinated Debenture Issuer from borrowing from their depository institution subsidiaries and generally require that any such borrowings be collateralized. All such legal and regulatory limitations and restrictions may change at any time with respect to any depository institution. If consent were to be required from, and were to be withheld by, the Applicable Regulators of an Affiliated Depository Institution HC's depository institution subsidiaries with respect to any matter described in this paragraph, such Affiliated Depository Institution HC would likely exercise its right to defer interest payments on the Corresponding Debentures, and the Issuer may not have funds available to make anticipated distributions on the Notes during such, and subsequent, periods.

Any Affiliated Depository Institution HC may generally defer interest payments on its Corresponding Debentures for up to 20 consecutive quarterly periods, in which event distributions on the related PreTS^{sm} or Trust Preferred D-SMS would be similarly deferred. Any PreTS^{sm} or any Trust Preferred D-SMS with respect to which interest or dividend payments are being deferred or are accrued and unpaid, as the case may be, will be deemed to be a "Defaulted Security" under the Indenture even though such deferral or accrual is permitted by the terms of such Capital Securities and, if applicable, the Corresponding Debentures. In addition, the Affiliated Depository Institution HCs of the Unmodified PreTSL III PreTS^{sm} Issuers may each cause their respective PreTSL III PreTS^{sm} to be redeemed on any related Capital Security Payment Date.

The Debenture Trustee or the holders of not less than 25% in aggregate principal amount of the Corresponding Debentures in respect of each of the PreTS^{sm} and the Trust Preferred D-SMS will only be able to declare the principal of and accrued interest on such Corresponding Debentures to be immediately due and payable following the occurrence of certain specified events of default (each, an "**Acceleration Event of Default**"). Accordingly, following the occurrence of an event of default which is not an Acceleration Event of Default, the rights of the related Debenture Trustee or the holders of not less than 25% in aggregate principal amount of the Corresponding Debentures will be limited to suing the related Affiliated Depository Institution HC for any damages arising as a result of the related event of default. See "Description of the D-Capital

Securities Documents—Description of the Corresponding Debentures Owned by PreTS[sm] Issuers—*Events of Default, Waiver and Notice*".

A default in the payment of interest or principal on any Corresponding Debenture issued by an Affiliated Depository Institution HC or any Subordinated Debenture or a deferral in interest payments on any Corresponding Debenture 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 Class A-X Notes, the Senior Notes or the Mezzanine Notes and will result in smaller or no distributions on the Income Notes. In such event, the Noteholders may incur a loss on their investment in the Notes.

19. *Nature of the Subordinated Debentures issued by Depository Institutions*. Five Subordinated Debentures (the "**Depository Institution Subordinated Debentures**") will be or have been issued by depository institutions (the "**Depository Institution Subordinated Debenture Issuers**"). The Depository Institution Subordinated Debentures will be subordinated to the claims of depositors of the related Depository Institution Subordinated Debenture Issuer, will be subordinated to claims of general creditors and certain other obligees of such Depository Institution Subordinated Debenture Issuer (including the claims of holders of senior debt obligations of such issuer), and will be unsecured. None of the Depository Institution Subordinated Debentures evidence a deposit of a Depository Institution Subordinated Debenture Issuer and none are insured or guaranteed by the FDIC or any other governmental agency or instrumentality.

Each Depository Institution Subordinated Debenture Issuer is subject to various limitations that may adversely affect its ability to make payments on its Depository Institution Subordinated Debenture, or may even legally prohibit such payments. Among other things, prepayment of the principal amount of a Depository Institution Subordinated Debenture, including prepayments to be made under an acceleration clause following an event of default under any such Depository Institution Subordinated Debenture may require the prior approval of the related Depository Institution Subordinated Debenture Issuer's Applicable Regulator. Each Depository Institution Subordinated Debenture Issuer may also require the approval of its Applicable Regulator to make principal and interest payments on its Depository Institution Subordinated Debenture at maturity or earlier redemption. Any Applicable Regulator of a Depository Institution Subordinated Debenture Issuer or a conservator, receiver or trustee-in-bankruptcy of that issuer may also, in certain cases, transfer or direct the transfer of its Depository Institution Subordinated Debenture to a new obligor without the approval of such issuer, the Issuer or the Holders of the Notes. In addition, if a Depository Institution Subordinated Debenture Issuer fails to meet certain capital standards or other threshold requirements, such issuer may be prohibited from making any payment of principal of or interest on its related Depository Institution Subordinated Debenture even if a Depository Institution Subordinated Debenture Issuer still has a positive net worth and would otherwise be capable of making such payments. Events of default in the case of a Depository Institution Subordinated Debenture are limited to the failure to make payments when due under the terms of the related Subordinated Debenture Indenture, certain events of bankruptcy, insolvency or reorganization of the related Depository Institution Subordinated Debenture Issuer and certain other events which constitute an "event of default" with respect to a Depository Institution Subordinated Debenture. Depository Institution Subordinated Debenture Issuers may also be limited in their ability to make payments on their Depository Institution Subordinated Debenture if they are in default on assessments due to the FDIC.

If a Depository Institution Subordinated Debenture Issuer becomes insolvent, the FDIC, as conservator or receiver under the Financial Institutions Reform, Recovery and Enhancement Act, may disaffirm any contract to which such institution is a party. If the FDIC were to successfully assert that its power to repudiate contracts extends to obligations such as the Depository Institution Subordinated Debentures, the effect of any such repudiation would be to accelerate the maturity of such Depository Institution Subordinated Debenture, as applicable, and limit the amounts payable to the holder thereof. In addition, although each Depository Institution Subordinated Debenture permits acceleration in the event of certain events of insolvency of the related Depository Institution Subordinated Debenture Issuer, the FDIC may enforce most types of contracts, including a subordinated debenture, pursuant to its terms, notwithstanding any such acceleration provision. In the case of a Depository Institution Subordinated

Debenture Issuer, the FDIC as conservator or receiver may also transfer to a new obligor any of such issuer's assets and liabilities, including, as applicable, the related Depository Institution Subordinated Debenture, without the approval of such Depository Institution Subordinated Debenture Issuer, the Issuer or any Holder of the Notes.

The Federal Deposit Insurance Corporation Improvement Act of 1991 authorizes the FDIC to settle all uninsured and unsecured claims in the insolvency of an insured bank by making a final settlement payment after the declaration of insolvency. Such a payment would constitute full payment and disposition of the FDIC's obligations to claimants. The rate of such final settlement payment is to be a percentage rate determined by the FDIC reflecting an average of the FDIC's receivership recovery experience.

None of the Depository Institution Subordinated Debentures limit the amount of debt senior to such Depository Institution Subordinated Debenture that the related Depository Institution Subordinated Debenture Issuer may issue, and none of the Depository Institution Subordinated Debentures contain financial or similar restrictive covenants or warranties.

20. *Accounting and Regulatory Issues with respect to the PreTS[sm] and the Trust Preferred D-SMS*. Historically, trust preferred securities (such as the PreTS[sm] and the Trust Preferred D-SMS) have been treated as eligible for inclusion in "Tier 1 Capital" by bank holding companies under Federal Reserve rules and regulations relating to minority interests in equity accounts of consolidated subsidiaries. Following the issuance by the Financial Accounting Standards Board (the "**FASB**") of FASB Interpretation No. 46, Consolidation of Variable Interest Entities ("**FIN 46**"), in January 2003, and of a revised version of FIN 46 ("**FIN 46R**") in December 2003, most accounting authorities came to the conclusion that, under generally accepted accounting principles, bank holding company sponsors of trusts issuing trust preferred securities must deconsolidate such trusts in the holding companies' financial statements. As a consequence, a bank holding company 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.

On March 1, 2005, the Federal Reserve issued its final regulatory capital standards for trust preferred securities and alternative tax-efficient instruments. The final rules enable bank holding companies to continue to include issuances of trust preferred securities in their Tier 1 Capital (notwithstanding the currently prevailing interpretation of FIN 46 and FIN 46R described above), subject to stricter quantitative limits and qualitative standards, and subject to a transition period, as described below. The Federal Reserve's rules limit the aggregate amount of "restricted core capital elements" that a bank holding company can include as Tier 1 Capital for regulatory capital purposes. The term "restricted core capital elements", as defined in the Federal Reserve's rules, includes, among other capital elements, "qualifying trust preferred securities." The rules outline the specific requirements that must be satisfied for trust preferred securities to qualify as "qualifying trust preferred securities."

Under the rules, the aggregate amount of restricted core capital elements that a bank holding company may include in its Tier 1 Capital may not exceed 25% of the sum of the bank holding company's "core capital elements", net of goodwill (less any associated deferred tax liability). By netting goodwill from the calculation of the 25% limit, the rules tighten the previous 25% limit, which, under prior Federal Reserve regulatory capital standards, did not require the deduction of goodwill as part of the calculation. Under the Federal Reserve's rules, internationally active banking organizations are generally expected to limit the aggregate amount of restricted core capital elements included in Tier 1 Capital to 15% of the sum of all core capital elements, including restricted core capital elements, net of goodwill (less any associated deferred tax liability).

The rules include a transition period for bank holding companies to meet the new, stricter 25% limitation within regulatory capital standards by requiring that the quantitative limits on restricted core capital elements, including trust preferred securities, become fully effective as of March 31, 2009. During the interim period, any bank holding company with restricted core capital elements (including trust preferred securities) in

excess of the 25% limit is required to consult with the Federal Reserve on a plan for ensuring that the banking organization is not unduly relying upon restricted core capital elements in its capital base and, where appropriate, for reducing such reliance. Bank holding companies are generally required to comply with the current (i.e., pre-final rule) Tier 1 Capital limit during the interim period. Additionally, the rules require trust preferred securities to be treated as limited-life preferred stock in the last five-years before the maturity of the underlying subordinated debt. As a result, in the last five-years of the life of such underlying subordinated debt, the outstanding amount of trust preferred securities will be excluded from Tier 1 Capital and included in "Tier 2 Capital", subject, together with subordinated debt and other limited-life preferred stock, to a limit of 50% of Tier 1 Capital. During this period, the trust preferred securities will be amortized out of Tier 2 Capital by one-fifth of the original amount (less redemptions) each year and excluded totally from Tier 2 Capital during the last year of life of the underlying subordinated debt.

The Federal Reserve also specified that the terms of the subordinated debt underlying the trust preferred securities must conform to the Federal Reserve's subordinated debt policy statement, 12 CFR 250.166, in addition to meeting more stringent requirements for the level of subordination, definition of senior indebtedness and notice periods for deferrals of interest. In particular, the Federal Reserve's rules permit acceleration of principal and interest on trust preferred securities under certain bankruptcy and receivership events involving a sponsoring bank holding company or one of its major bank subsidiaries or the trust itself (unless, in the case of the trust, the underlying subordinated debt has been redeemed or distributed to the holders of the trust preferred securities) and for failure to pay interest following deferral for more than five consecutive years, but would not permit acceleration of principal and interest for other events of default. See "Description of the D-Capital Securities Documents—Description of the Corresponding Debentures Owned by PreTS[sm] Issuers".

The final rules became effective on April 11, 2005. The terms of the PreTS[sm] (other than the Unmodified PreTSL III PreTS[sm]) generally conform to the specific requirements included in the Federal Reserve rules and are based upon continuing informal discussions with staff of the Federal Reserve regarding these specific terms. None of the PreTS[sm] (other than the Unmodified PreTSL III PreTS[sm]) contain a permitted acceleration event in the event a major depository institution subsidiary of an Affiliated HC is placed in receivership. The rules provide that trust preferred securities issued prior to April 15, 2005 generally will be includable in Tier 1 Capital despite nonconformance provided certain conditions are met. Notwithstanding the foregoing, there can be no assurance that any future action by the Federal Reserve would not result in the occurrence of a Capital Treatment Event with respect to any one or more of the PreTS[sm] or the Trust Preferred D-SMS. If a Capital Treatment Event were to occur, an Affiliated Depository Institution HC would have the right to redeem its Corresponding Debentures, subject to applicable redemption premiums, if any, thereby causing a mandatory redemption of the related D-Capital Securities. See "Description of the D-Capital Securities Documents—Redemption and Prepayments of the D-Capital Securities."

In addition, any disallowance of Tier 1 Capital treatment for the D-Capital Securities or other trust preferred securities issued by an Affiliated Depository Institution HC's trust subsidiaries might, depending on the amount of its other regulatory capital, cause such Affiliated Depository Institution HC to fail to meet its minimum regulatory capital requirements. Any such failure might adversely affect the Affiliated Depository Institution HC's ability to make payments on its Corresponding Debentures.

The FASB has 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 Affiliated Depository Institution HCs may not have accounted for previous trust preferred issuances as debt. Accordingly, the FAS 150 requirement to treat trust preferred issuances by such Affiliated Depository Institution HCs as debt will increase their leverage, which may, among other matters, have an adverse impact on their ability to borrow under their credit facilities.

Risk Factors relating to the I-Capital Securities

21. *Risks Related to Insurance Companies and the Insurance Industry*. Payments under the I-PreTS[sm], the I-DS and the I-SMS, and in turn under the Notes, are highly dependent upon payments received from the Affiliated Insurance HCs, the I-DS Issuers and the I-SMS Issuers, as applicable and their respective insurance company subsidiaries and affiliates. Payments on the Surplus Notes, and in turn under the Notes, are dependent on the insurance companies issuing such securities and upon payments received from their insurance company subsidiaries, as applicable. As such, the ability of the Issuer and Co-Issuer to make payments under the Notes, as well as the credit ratings of the Notes, may be adversely affected by the performance and earnings of and defaults by such companies. Furthermore, adverse developments with respect to the insurance industry in general may adversely affect the ability of the Issuer and the Co-Issuer to make payments under the Notes and also may adversely affect the ratings, market value and/or liquidity of the Notes.

22. *The Outcome of Current Industry Investigations and Regulatory Proposals May Adversely Impact the I-Capital Securities Issuers*. The insurance industry has recently become the focus of increased scrutiny by regulatory and law enforcement authorities as well as the public relating to allegations of improper special payments, price-fixing, bid-rigging and other alleged misconduct relating to the compensation of insurance brokers, including payments made by insurers to brokers and the practices surrounding the placement of insurance business. The insurance industry has also recently become the focus of increased scrutiny by regulatory and law enforcement authorities as well as the public relating to allegations of improper accounting practices related to ceded and assumed reinsurance, particularly in connection with the use of so-called finite reinsurance. Formal and informal inquiries have been made of a large segment of the industry, and a large number of companies in the industry, including certain of the I-Capital Security Issuers, have received or may receive subpoenas, requests for information from regulatory authorities or other inquiries relating to these and similar matters. These efforts are expected to result in both enforcement actions and proposals for new state and federal regulation and may result in both enforcement actions and proposals for new regulations in jurisdictions outside the United States. Certain insurers have also become the subject of civil litigation (including class action suits) relating to such matters, and it is possible that such investigations may generate additional civil litigation against insurers, even those who do not engage in the business lines or practices currently at issue. It is impossible to predict the outcome of these investigations or proceedings, whether they will expand into other areas not yet contemplated, whether activities and practices currently thought to be lawful will be characterized as unlawful, what form new regulations will have when finally adopted, or the impact, if any, of this increased regulatory and law enforcement action and civil litigation with respect to the insurance industry on the I-Capital Securities Issuers.

23. *Nature of the I-PreTS[sm] and the Related Corresponding Debentures*. Each I-PreTS[sm] Issuer's only source of funds to make payments on its I-PreTS[sm] will be payments it receives from its parent Affiliated Insurance HC on the related Corresponding Debenture. The obligations of each Affiliated Insurance HC under its I-PreTS[sm] Guarantee, and its Corresponding Debenture are subordinate and junior in right of payment to all present and future Senior Indebtedness of such Affiliated Insurance HC. Therefore, each Affiliated Insurance HC will not be able to make any payments of principal (including redemption payments) or interest on the related Corresponding Debenture or payments under its I-PreTS[sm] Guarantee, if it defaults on a payment on its Senior Indebtedness. In the event of the bankruptcy, liquidation or dissolution of an Affiliated Insurance HC, its assets would be available to pay obligations under the Corresponding Debentures only after all payments had been made on its Senior Indebtedness. No payment of principal of (including redemption payments, if any) or interest on any Corresponding Debenture of any Affiliated Insurance HC may be made if (i) any Senior Indebtedness of that Affiliated Insurance HC is not paid when due and any applicable grace period with respect to such default has ended with such default not having been cured or waived or ceasing to exist or (ii) the maturity of any indebtedness of that Affiliated Insurance HC has been accelerated because of a default. There are no terms in any I-PreTS[sm], any Corresponding Debenture or any I-PreTS[sm] Guarantee that limit the ability of any Affiliated Insurance HC or any subsidiary of any Affiliated Insurance HC to incur additional indebtedness, liabilities and obligations, including such indebtedness that ranks senior to the Affiliated

Insurance HC's Corresponding Debenture and its I-PreTS[sm] Guarantee. See "Description of the I-Capital Securities Documents—I-PreTS[sm] Guarantee" and "—Description of the Corresponding Debentures Owned by I-PreTS[sm] Issuers—*Subordination*".

The Corresponding Debentures issued by Affiliated Insurance HCs are not insured or guaranteed by any insurance regulatory authority, any governmental agency or instrumentality or any insurance guaranty fund. Because each Affiliated Insurance HC which issues Corresponding Debentures is the holding company of one or more insurance company subsidiaries, its ability to make distributions on such Corresponding Debentures will be highly dependent upon the earnings of its subsidiaries and affiliates and its ability to receive payments from such subsidiaries and affiliates in the form of dividends, fees, loans and distributions. The subsidiaries of the Affiliated Insurance HCs are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts under the Corresponding Debentures or to make any funds available therefor, whether by dividends, distributions, loans or other payments. There are also various legal and regulatory limitations on the extent to which Affiliated Insurance HC's insurance company subsidiaries or affiliates may extend credit, pay dividends or distributions or otherwise supply funds to such Affiliated Insurance HC or various of its affiliates. In particular, payments of dividends or other distributions to an Affiliated Insurance HC or its respective affiliates by the Affiliated Insurance HC's U.S. insurance company subsidiaries are subject to the various insurance regulatory restrictions of the states having jurisdiction over such insurance company subsidiaries. Such laws typically vary from state to state. Certain states generally require that the statutory surplus of an insurance company following any dividend or distribution be reasonable in relation to such insurance company's outstanding liabilities and adequate to meet its financial needs and permit the payment of dividends only out of statutory earned (unassigned), as opposed to contributed, surplus, unless such payment is approved by the Applicable Regulator. In addition, states generally prohibit an insurance company, without prior notice to, and approval of, the Applicable Regulator, from declaring or paying an extraordinary dividend, which in many states is defined as any dividend or distribution of cash or other property whose fair market value together with other dividends or distributions made within the preceding 12 months exceeds the lesser of such subsidiary's statutory net gain from operations of the preceding calendar year or 10% of statutory surplus as of the preceding December 31. For insurance regulatory purposes, the surplus of an insurer is determined on the basis of Statutory Accounting Principles ("**SAP**") rather than generally accepted accounting principles ("**GAAP**"). SAP generally is a more conservative measure of an insurance company's surplus. In addition, certain agreements, loans, exchanges of assets and other transactions between an insurance company subsidiary and its affiliates may require prior notice to or approval of the Applicable Regulator. Such restrictions and requirements may affect the permissibility and timing of distributions to an Affiliated Insurance HC from its insurance company subsidiaries. In addition, the right of each Affiliated Insurance HC to participate in any distribution of assets of any subsidiary upon liquidation, reorganization or otherwise will be subject to the prior claims of the policy-holders and creditors of such subsidiary, except to the extent that the Affiliated Insurance HC is a creditor of any such subsidiary that is not an insurance company and is recognized as a creditor of such subsidiary. Accordingly, each Affiliated Insurance HC's Corresponding Debentures and I-PreTS[sm] Guarantee will effectively be subordinated to all existing and future liabilities and obligations of such Affiliated Insurance HC's subsidiaries.

As long as any Affiliated Insurance HC is not in default in the payment of interest on its Corresponding Debentures, it may generally defer interest payments on its Corresponding Debentures for up to 20 consecutive quarterly periods, in which event distributions on the related I-PreTS[sm] would be similarly deferred. If interest or dividend payments are being deferred or are accrued and unpaid, as the case may be, in respect of any I-PreTS[sm], then such I-PreTS[sm] will be deemed to be a "Defaulted Security" under the Indenture even though such deferral or accrual is permitted by the terms of such I-Capital Securities and, if applicable, the Corresponding Debentures.

A default in the payment of interest or principal, or a deferral in interest payments, on any Corresponding Debenture 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 Class A-X Notes, the Senior Notes or the

Mezzanine Notes and will result in smaller or no distributions on the Income Notes. In such event, the Noteholders may incur a loss on their investment in the Notes.

Certain criteria must be met on the Closing Date with respect to the Affiliated Insurance HCs. See "Description of the Capital Securities—Portfolio Criteria—I-Capital Securities". However, the Affiliated Insurance HCs are under no obligation to maintain compliance with such criteria after the Closing Date.

24. *Nature of Surplus Notes and the Surplus Note I-SMS.* The Surplus Notes and Surplus Note I-SMS are unsecured obligations that are expressly subordinate in right of payment to all Senior Indebtedness and Policy Claims of the applicable Surplus Note Issuer and will be subject to state laws that establish the priority of distribution in the event of the rehabilitation, liquidation, conservation, dissolution or receivership of the applicable Surplus Note Issuer. In the event that a Surplus Note Issuer becomes subject to such a proceeding, holders of Senior Indebtedness, Policy Claims, and in certain states, other creditors, would have the right to be paid in full before any payments of interest or principal, including premium, if any, are made to the Issuer. There are no terms in any of the Surplus Notes or the Surplus Note I-SMS that limit the ability of any Surplus Note Issuer or the Surplus Note I-SMS Issuer to incur additional policy claims, indebtedness, liabilities and obligations, including Senior Indebtedness or other indebtedness that ranks senior to the Surplus Notes or the Surplus Note I-SMS, as applicable. Nothing limits a Surplus Note Issuer or the Surplus Note I-SMS Issuer from issuing any future surplus notes or any other similarly subordinated obligations. Unless expressly subordinated to the Surplus Notes or the Surplus Note I-SMS, any future surplus notes or other similarly subordinated obligations issued by a Surplus Note Issuer or the Surplus Note I-SMS Issuer would rank *pari passu* or senior in right of payment to the Surplus Notes issued by such Surplus Note Issuer or the Surplus Note I-SMS, as the case may be.

The Surplus Notes and the Surplus Note I-SMS are not insured or guaranteed by any insurance regulatory authority, any governmental agency or instrumentality or any insurance guaranty fund. The regulation and authority for the issuance of the Surplus Notes and the Surplus Note I-SMS are governed by the laws of the states having jurisdiction over the respective Surplus Note Issuers and the Surplus Note I-SMS Issuer, as the case may be. Certain states' insurance statutes and regulations do not specifically authorize the issuance of surplus notes or their accounting treatment or repayment terms. Nevertheless, authority for the issuance of surplus notes in such states may be relied upon in light of the adoption by such states of the SAP accounting guidelines, which provide for accounting treatment of surplus notes. In all states, the Surplus Notes and the Surplus Note I-SMS can only be issued pursuant to the approval of the Applicable Regulator. The insurance statutes and regulations of certain states also provide caps and other limits on the interest rate that can be paid on Surplus Notes and the Surplus Note I-SMS. A regulatory order approving the issuance of a Surplus Note or the Surplus Note I-SMS may also impose regulatory restrictions or limitations on the applicable Surplus Note Issuer or the Surplus Note I-SMS Issuer, including limitations on the rate of interest that can be paid on the related Surplus Note or Surplus Note I-SMS. There can be no assurance such limitations will not limit the payment of interest on any of the Surplus Notes or the Surplus Note I-SMS. Further, each payment of principal, including premium, if any, and interest on the Surplus Notes and the Surplus Note I-SMS is subject to the prior approval of the Applicable Regulator, which approval may be subject to a determination by the Applicable Regulator that the financial condition of the related Surplus Note Issuer or the Surplus Note I-SMS Issuer, as applicable, warrants the making of such payments. Interest will continue to accrue on any unpaid principal amount of the Surplus Notes or the Surplus Note I-SMS, but it will not accrue on unpaid interest, the payment of which has not satisfied the Payment Restrictions and no penalty interest will be paid on such unpaid amounts. In most states, the Applicable Regulator will have broad discretion in determining whether to allow payments to be made on the Surplus Notes or the Surplus Note I-SMS. Accordingly, there can be no assurance that a Surplus Note Issuer will be able to make payments of principal, premium, if any, or interest on its Surplus Note or that the Surplus Note I-SMS Issuer will be able to make payments of principal, premium, if any, or interest on the Surplus Note I-SMS. Any failure by a Surplus Note Issuer or the Surplus Note I-SMS Issuer to make a payment of principal of or premium, if any, or interest on its Surplus Note or Surplus Note I-SMS due to a disapproval of such payment by the Applicable Regulator will not constitute an event of default under such Surplus Note or the Surplus Note I-SMS. While there is no

reason to believe that the Applicable Regulator would seek to modify or revoke any approval once given, the Applicable Regulator may do so and there can be no assurance that a court would find such an action to be unlawful. Disputes relating to the exercise by the Applicable Regulator of regulatory authority, including approval of payments under a Surplus Note or the Surplus Note I-SMS, are governed by law of the state that has primary regulatory authority over the related Surplus Note Issuer (or the Surplus Note I-SMS Issuer) and are subject to the jurisdiction of the courts in such state. The funds available to make payments on a Surplus Note or the Surplus Note I-SMS on any given date, whether with respect to principal, premium, if any, or interest, will be determined by the Applicable Regulator and may be based on a general review of the financial condition of the Surplus Note Issuer or the Surplus Note I-SMS Issuer, and the factors involved in such determination may include, but are not limited to, leverage and operating ratios, requirements under a given state's insurance laws affecting the relative level of surplus, such as minimum surplus requirements and Risk Based Capital standards specifying minimum capital levels. For the purposes of determining compliance with such surplus requirements, the surplus of an insurer is determined on the basis of SAP rather than GAAP. SAP is generally a more conservative measure of an insurance company's surplus. Accordingly, because the ability of a Surplus Note Issuer or the Surplus Note I-SMS Issuer to make scheduled payments on its Surplus Note or Surplus Note I-SMS is subject to the Applicable Regulator's prior approval, there can be no assurance as to whether or when any such payments will be made.

Any failure by a Surplus Note Issuer or the Surplus Note I-SMS Issuer to make a payment (or portion thereof) of principal of or premium, if any, or interest on its Surplus Note or the Surplus Note I-SMS due to a Payment Restriction will not constitute a default under such Surplus Note or the Surplus Note I-SMS, as the case may be. However, any surplus note (including both a Surplus Note or the Surplus Note I-SMS) with respect to which the issuer thereof fails to make a scheduled payment of interest on the related surplus note and such failure continues for at least 30 days will be a "Defaulted Security" under the Indenture even though such failure may not constitute an event of default under the Surplus Note Indenture or the Underlying Instrument in respect of the Surplus Note, as the case may be.

If any state or federal agency shall obtain an order or grant approval for the liquidation or dissolution (and in certain cases rehabilitation, conservation, reorganization or receivership) of a Surplus Note Issuer or the Surplus Note I-SMS Issuer, then the entire principal (or premium, if any) of the Surplus Note or the Surplus Note I-SMS, as applicable, and the interest accrued thereon, if any, shall be due and payable immediately, subject to any restrictions imposed as a consequence of, or pursuant to any proceedings related to the liquidation or dissolution of any such Surplus Note Issuer or the Surplus Note I-SMS Issuer and subject to the prior approval of the Applicable Regulator. The Surplus Notes and the Surplus Note I-SMS are not otherwise subject to immediate acceleration. As a result, if a Surplus Note Issuer fails to perform any of its obligations related to its Surplus Notes or the Surplus Note I-SMS Issuer fails to perform any of its obligations related to the Surplus Note I-SMS, including paying principal, premium, if any, or interest, it will not be possible to accelerate payment of the Surplus Note or the Surplus Note I-SMS, as applicable.

The approval of the issuance of a Surplus Note or the Surplus Note I-SMS by the Applicable Regulator does not constitute a guarantee or recommendation of such Surplus Note or the Surplus Note I-SMS by the Applicable Regulator or approval of any payments to be made in respect of such Surplus Note or the Surplus Note I-SMS.

There also can be no assurance that future modifications to SAP currently applicable would not have the effect of altering the nature and amount of the funds available for making payments on a given Surplus Note or the Surplus Note I-SMS, or that the regulatory accounting treatment accorded such Surplus Note or Surplus Note I-SMS in the state that has primary regulatory authority over the related issuer thereof would be recognized by insurance regulatory authorities in other states. Accordingly, because the ability of a Surplus Note Issuer or the Surplus Note I-SMS Issuer to make scheduled payments of principal, premium, if any, or interest on its surplus note at maturity or redemption is subject to the Applicable Regulator's prior approval, there can be no assurance as to whether and when any such payments will be made.

A default in the payment of principal of or premium, if any, or interest (or a deferral of the payment of interest, if applicable) on, or the failure to make any payment, as a result of any Payment Restriction, on any Surplus Note or the Surplus Note I-SMS 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 Class A-X Notes, the Senior Notes or the Mezzanine Notes and will result in smaller or no distributions on the Income Notes. In such event, the Noteholders may incur a loss on their investment in the Notes.

Certain criteria must be met on the Closing Date with respect to the Surplus Note Issuers and the Surplus Note I-SMS Issuer. See "Description of the Capital Securities—Portfolio Criteria—I-Capital Securities". However, the Surplus Note Issuers and the Surplus Note I-SMS Issuer are under no obligation to maintain compliance with such criteria after the Closing Date.

25. *Nature of the I-DS and I-SMS (other than the Surplus Note I-SMS).* (This risk factor does not apply to the Surplus Note I-SMS.) There are no terms in the I-DS or the I-SMS that limit the ability of the I-DS Issuers or the I-SMS Issuers or any subsidiary of the I-DS Issuers or I-SMS Issuers, as applicable, to incur additional indebtedness, liabilities and obligations.

The Designated I-DS include terms that limit the ability of the related Designated I-DS Issuers to incur additional subordinated indebtedness. However, any breach of such term by the relevant Designated I-DS Issuer does not constitute an "event of default" under the relevant Designated I-DS Trust Deed and the relevant Designated I-DS Issuer can not, by virtue of a breach of such term, be obligated to pay any sum or sums in respect of the relevant Designated I-DS sooner than the same would otherwise have been payable by them.

The I-DS and the I-SMS issued by the I-DS Issuers and the I-SMS Issuers, as applicable, are not insured or guaranteed by any insurance regulatory authority, any governmental agency or instrumentality or any insurance guaranty fund. Because each of the I-DS Issuers and the I-SMS Issuers is a holding company of one or more insurance company subsidiaries, its ability to make distributions on the I-DS or the I-SMS, as applicable, will be highly dependent upon the earnings of its subsidiaries and affiliates and its ability to receive payments from such subsidiaries and affiliates in the form of dividends, fees, loans and distributions. The subsidiaries of the I-DS Issuers and the I-SMS Issuers are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts under the I-DS or the I-SMS, as applicable, or to make any funds available therefor, whether by dividends, distributions, loans or other payments. There are also various legal and regulatory limitations on the extent to which the I-DS Issuers' or the I-SMS Issuers' insurance company subsidiaries or affiliates may extend credit, pay dividends or distributions or otherwise supply funds to such I-DS Issuers or I-SMS Issuers, as applicable, or various of its affiliates. In particular, payments of dividends or other distributions to the I-DS Issuers or the I-SMS Issuers or their respective affiliates by the I-DS Issuers' or the I-SMS Issuers' U.S. insurance company subsidiaries, as applicable, are subject to the various insurance regulatory restrictions of the states having jurisdiction over such insurance company subsidiaries. Such laws typically vary from state to state. Certain states generally require that the statutory surplus of an insurance company following any dividend or distribution be reasonable in relation to such insurance company's outstanding liabilities and adequate to meet its financial needs and permit the payment of dividends only out of statutory earned (unassigned), as opposed to contributed, surplus, unless such payment is approved by the Applicable Regulator. In addition, states generally prohibit an insurance company, without prior notice to, and approval of, the Applicable Regulator, from declaring or paying an extraordinary dividend, which in many states is defined as any dividend or distribution of cash or other property whose fair market value together with other dividends or distributions made within the preceding 12 months exceeds the lesser of such subsidiary's statutory net gain from operations of the preceding calendar year or 10% of statutory surplus as of the preceding December 31. For insurance regulatory purposes, the surplus of an insurer is determined on the basis of SAP rather than GAAP. SAP generally is a more conservative measure of an insurance company's surplus. In addition, certain agreements, loans, exchanges of assets and other transactions between an insurance company subsidiary and its affiliates may require prior notice to or approval of the Applicable Regulator. Such restrictions and requirements may affect the permissibility and timing of

distributions to the I-DS Issuers or the I-SMS Issuers from its respective insurance company subsidiaries. In addition, the right of any of the I-DS Issuers or the I-SMS Issuers to participate in any distribution of assets of any subsidiary upon liquidation, reorganization or otherwise will be subject to the prior claims of the policyholders and creditors of such subsidiary, except to the extent that any of the I-DS Issuers or the I-SMS Issuers is a creditor of any such subsidiary that is not an insurance company and is recognized as a creditor of such subsidiary. Accordingly, the I-DS and the I-SMS will effectively be subordinated to all existing and future liabilities and obligations of the I-DS Issuers' and I-SMS Issuers' subsidiaries, as applicable.

A default in the payment of interest or principal on the I-DS or the I-SMS 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 Class A-X Notes, the Senior Notes or the Mezzanine Notes and will result in smaller or no distributions on the Income Notes. In such event, the Noteholders may incur a loss on their investment in the Notes.

Certain criteria must be met on the Closing Date with respect to the I-DS Issuers and the I-SMS Issuers. See "Description of the Capital Securities—Portfolio Criteria—I-Capital Securities". However, none of the I-DS Issuers or the I-SMS Issuers are under any obligation to maintain compliance with such criteria after the Closing Date.

26. *International Operations.* A portion of the payments under I-PreTS[sm] and in turn under the Notes will be dependent upon payments received by the related Affiliated Insurance HCs from insurance companies incorporated in jurisdictions outside of the United States. Ownership of such I-PreTS[sm] may entail different risks from ownership of I-Capital Securities issued by issuers that operate or rely on payments by subsidiaries and affiliates that operate in the United States. These risks may include, among other risks: (i) less publicly available information; (ii) varying levels of governmental or quasi-governmental regulation and supervision; (iii) a difficulty in enforcing legal rights in a jurisdiction other than one of the states of the United States; (iv) uncertainties as to the status, interpretations and application of laws and (v) different accounting, auditing and financial reporting standards, practices and requirements, as compared to those applicable to United States companies.

27. *Regulatory Treatment; Accounting Treatment.* From time to time, the Applicable Regulator of a Surplus Note Issuer may issue rules or regulations, or a state legislature may adopt new laws or amend existing laws, or the National Association of Insurance Commissioners may amend or issue new guidelines or interpretations that may impact the regulatory capital treatment of its Surplus Note. There can be no assurance that such rules or regulations, if issued, would not adversely affect the regulatory capital treatment of such Surplus Note. Such action may provide an incentive for the related Surplus Note Issuer to redeem its Surplus Note, as applicable, in accordance with its terms. Any such redemptions would result in earlier payments on the Senior Notes and the Mezzanine Notes.

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, with a revised interpretation issued in December 2003 (collectively, "**FIN 46**"). FIN 46 addresses the consolidation rules to be applied to certain variable interest entities (as defined in FIN 46). In reviewing FIN 46, accountants and other professionals have generally determined that variable interest entities similar to the I-PreTS[sm] Issuers should not be treated as consolidated subsidiaries of the companies, such as the Affiliated Insurance HCs, that use them to issue trust preferred securities, such as the I-PreTS[sm]. In the past, issuer trusts that issued trust preferred securities have been consolidated by their parent companies. If any Affiliated Insurance HC concludes, in light of an interpretation of FIN 46 as applied to its I-PreTS[sm] Issuer that any such I-PreTS[sm] Issuer should not be consolidated by such Affiliated Insurance HC in preparing its financial statements in accordance with generally accepted accounting principles, then such Affiliated Insurance HC will be required to make certain adjustments to its financial statements to reflect the deconsolidation. Such adjustments may provide an incentive for such Affiliated Insurance HCs to redeem their Corresponding Debentures in accordance with their terms. Any such redemptions would result in earlier payments on the Notes.

Risk Factors relating to the R-PreTS[sm]

28. *Nature of R-PreTS[SM].* Each R-PreTS[sm] Issuer's only source of funds to make payments on its R-PreTS[sm] will be payments it receives from its parent REIT Corresponding Debenture Issuer on the related Corresponding Debenture. The obligations of each REIT Corresponding Debenture Issuer under its related Corresponding Debenture are subordinate and junior in right of payment to all present and future Senior Indebtedness of such REIT Corresponding Debenture Issuer. Therefore, each REIT Corresponding Debenture Issuer will not be able to make any payments of principal (including redemption payments) or interest on the related Corresponding Debenture if it defaults on a payment on its Senior Indebtedness. In the event of the bankruptcy, liquidation or dissolution of a REIT Corresponding Debenture Issuer, its assets would be available to pay obligations under the Corresponding Debentures only after all payments had been made on its Senior Indebtedness. No payment of principal of (including redemption payments, if any) or interest on any Corresponding Debenture of any REIT Corresponding Debenture Issuer may be made if (i) any Senior Indebtedness of that REIT Corresponding Debenture Issuer is not paid when due and any applicable grace period with respect to such default has ended with such default not having been cured or waived or ceasing to exist or (ii) the maturity of any indebtedness of that REIT Corresponding Debenture Issuer has been accelerated because of a default. There are no terms in any R-PreTS[sm] or any related Corresponding Debenture that limit the ability of any REIT Corresponding Debenture Issuer to incur additional indebtedness, liabilities and obligations, including such indebtedness that ranks senior to the REIT Corresponding Debenture Issuer's related Corresponding Debenture. See "Description of the R-PreTS[sm] Documents—Description of the Corresponding Debentures Owned by R-PreTS[sm] Issuers".

Each REIT Corresponding Debenture Issuer is a real estate investment trust (a "**REIT**"). REITs are companies that seek to pool capital from a number of investors in order to participate directly in real estate ownership or financing and that qualify and elect to be treated as a "real estate investment trust" for U.S. Federal income tax purposes. REITs can generally be classified as equity REITs, mortgage REITs and hybrid REITs. Equity REITs generally own and operate income producing real estate and derive their income primarily from rents. Mortgage REITs generally either lend money directly to real estate owners or extend credit indirectly through the purchase of mortgage loans or mortgage-backed securities and derive their income primarily from interest payments. Hybrid REITs combine the characteristics of both equity REITS and mortgage REITs. All of the REIT Corresponding Debenture Issuers are mortgage REITs. REITs can either be self-managed or managed by separate advisory companies for a fee.

Unlike the financial institutions and insurance companies that have issued or will issue the other Capital Securities, REIT Corresponding Debenture Issuers are not subject to regulatory oversight and therefore are not periodically examined by governmental regulators. Accordingly, weaknesses in a REIT Corresponding Debenture Issuer's governance, management, business strategy or financial condition are not subject to discovery or remedial action by outside governmental authorities. As a result, any adverse change in the condition of a REIT Corresponding Debenture Issuer may be more likely to result in a reduction of distributions on the related R-PreTS[sm] as compared to Capital Securities issued by financial institutions or insurance companies.

At the close of each quarter, at least 75% of the value of the assets of a qualifying REIT must be in "real estate assets" (including interests in real property, mortgages on real property and shares in other REITs), cash, cash items (including receivables) and government securities. REITs are subject to inherent risks associated with such investments. Those risks include, among other things: declines in value of real estate, adverse changes in national economic conditions, changes in interest rates, 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, overbuilding, extended vacancies of properties, changes in the availability, cost and terms of mortgage funds, defaults by borrowers, risks associated with leverage or debt, the impact of present or future environmental legislation and compliance with environmental laws, environmental remediation or liability costs, 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, the relative illiquidity of real estate investments, civil unrest, acts of God, including earthquakes and other natural disasters (which may result in uninsured losses), acts of war or terrorism, casualty or condemnation losses, adverse changes in zoning laws, and other factors which are beyond the control of a REIT Corresponding Debenture Issuer. REITs also tend to be small to medium-sized companies in relation to the equity markets as a whole.

To qualify as a REIT under federal tax law, a REIT must satisfy various organizational, income, asset, distribution and record keeping requirements. The laws and rules that govern REIT qualification can be very complex and technical. If those laws and rules are followed, a REIT is permitted to deduct the dividends paid to its shareholders, thereby eliminating much of the REIT's federal income tax obligations. If a REIT Corresponding Debenture Issuer should fail to remain qualified as a REIT, the REIT Corresponding Debenture Issuer's dividends will not be deductible and it will be subject to corporate level income taxation. 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. This could substantially reduce the cash available to make distributions on its Corresponding Debenture.

A REIT is generally required to distribute at least 90% of its taxable REIT income each year in order to maintain its REIT status for federal income tax purposes. Because of this distribution requirement, REITs generally are not able to fund future capital needs from operating cash flow and REITs typically rely on third party investments, often in the form of loans, to provide capital for growth. As a result, the REIT Corresponding Debenture Issuers may be highly leveraged and much of the REIT Corresponding Debenture Issuers' borrowings will likely be senior to the Corresponding Debenture issued by a REIT Corresponding Debenture Issuer. The REIT Corresponding Debenture Issuers may also be subject to financial covenants that restrict their methods of financing or subject them to oversight and control by their lenders. The risks associated with acquiring the securities of such issuers generally is greater than is the case with more highly rated securities. For example, during an economic downturn or a sustained period of rising interest rates (or a period of a flattening or steepening of the yield curve), REIT Corresponding Debenture Issuers 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 unavailability of additional financing. The risk of loss due to default by a REIT Corresponding Debenture Issuer may be significantly greater for the holders of a REIT Corresponding Debenture issued by a REIT Corresponding Debenture Issuer than for other lenders to the REIT Corresponding Debenture Issuer because the Corresponding Debentures are unsecured and generally junior to the other loans.

Mortgage REITs are subject to the risks inherent in real estate lending, which include delinquencies and defaults of the related borrowers under the mortgage loans, early prepayment of mortgage loans (as a result of changes in macroeconomic factors or otherwise), and the risks listed in the paragraph above, which affect the ability of the borrower to make payments on its mortgage and which could be applicable to a mortgage REIT following a foreclosure. Commercial real estate loans are often non-recourse. Also, 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. In the event of a borrower default, the specified 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. In addition, as with equity REITs, mortgage REITs may concentrate their investments in one sector of the mortgage loan market (for example, residential mortgage loans). If such a sector were to suffer a downturn, it could have an adverse effect on any REIT Corresponding Debenture Issuers that have concentrated their investments in that area.

Additional risks that could affect the ability of a REIT Corresponding Debenture Issuer to make interest payments on its REIT Corresponding Debenture 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 optional

redemption or sinking fund provisions during periods of declining interest rates, (v) the possibility that earnings of the related Corresponding Debenture Issuer may be insufficient to meet its debt service and (vi) the declining creditworthiness and potential for insolvency of the REIT Corresponding Debenture Issuer during periods of rising interest rates, a flattening or steepening of the yield curve or an economic downturn. An economic downturn or an increase in interest rates could severely disrupt the market for R-PreTS[sm] and adversely affect the value of outstanding R-PreTS[sm] and the ability of the R-PreTS[sm] Issuers to repay principal and interest.

A default in the payment of interest or principal on any REIT Corresponding Debenture issued by a REIT Corresponding Debenture Issuer 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 Class A-X Notes, the Senior Notes or the Mezzanine Notes and will result in smaller or no distributions on the Income Notes. In such event, the Noteholders may incur a loss on their investment in the Notes.

THE ISSUER AND THE CO-ISSUER

The Issuer

Preferred Term Securities XXIII, Ltd. (the "**Issuer**") is a newly formed exempted company incorporated with limited liability under the laws of the Cayman Islands that was registered on September 13, 2006 under the Companies Law (2004 Revision) of the Cayman Islands with registered number 173935. The registered office of the Issuer is at the offices of its Administrator, Maples Finance Limited, Queensgate House, PO Box 1093 GT, South Church Street, George Town, Grand Cayman, Cayman Islands, and the Administrator's telephone number is (345) 945-7100. The Issuer will appoint CT Corporation System, 111 Eighth Avenue, New York, New York 10011 as its agent for service of process in the State of New York.

The objects of the Issuer, as described in clause 3 of its Memorandum of Association, are unrestricted except as prohibited by law. The Issuer has no prior operating history or prior business experience. The Issuer has been established to acquire a portfolio of Capital Securities issued by various Capital Securities Issuers that satisfy certain criteria described herein. The only sources of funds available to make payments on the Notes will be cash flow derived from the Capital Securities securing the Notes, the amounts on deposit in the Reserve Account, the single payment due on the Reserve Account Strip on its maturity date and payments, if any, under the Hedge Agreements.

The Issuer's authorized share capital is U.S.$50,000, consisting of 50,000 voting shares of U.S.$1 par value per share. As of the Closing Date, the Issuer will have issued and allotted 250 voting shares of U.S.$1 par value per share (the "**Ordinary Shares**").

Neither the Issuer nor the Co-Issuer has any loan capital (including term loans) outstanding or created but unissued, or any outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptance credits, hire purchase agreements, guarantees or other contingent liabilities, other than, upon their issuance, the Notes.

Maples Finance Limited will act as administrator (in such capacity, the "**Administrator**") and will perform certain administrative services for the Issuer in the Cayman Islands. The registered office of the Administrator is at the offices of M&C Corporate Services Limited, P.O. Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, and the Administrator's telephone number is (345) 945-7100. The Administrator may resign or its appointment may be terminated upon three months' written notice, in which case a replacement Administrator would be appointed. All of the Issuer's issued and allotted Ordinary Shares and all of the common stock of the Co-Issuer will be legally owned by Maples

Finance Limited (acting in such capacity, the "**Share Trustee**"), to be held under the terms of a Declaration of Trust under which the Share Trustee will hold such shares on charitable trust. Under the terms of such Declaration of Trust, the Share Trustee will, among other things, generally agree not to dispose of or otherwise deal with the Ordinary Shares or Co-Issuer common stock. The Share Trustee will have no beneficial interest in and derive no benefit other than its fees from its holding of the Ordinary Shares or Co-Issuer common stock.

The Issuer's Memorandum and Articles of Association (the "**Articles of Association**") provides that the Board of Directors of the Issuer will consist of at least one Director. A majority of the Directors are required by the Articles of Association to be persons who are non-U.S. persons. The Directors of the Issuer as of the Closing Date are expected to be as follows:

Name	**Address**	**Occupation**
Carrie Bunton	P.O. Box 1093 GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands	Trust Company Official, Maples Finance Limited
Wendy Ebanks	P.O. Box 1093 GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands	Trust Company Official, Maples Finance Limited

The Directors of the Issuer serve as directors of and provide services to other special purpose entities that primarily issue collateralized obligations and they perform other duties for the Administrator. They may be contacted at the address of the Administrator.

The Issuer's capitalization and indebtedness as of the Closing Date after giving effect to the issuance of the Notes and the Issuer's Ordinary Shares (before deducting offering expenses) is set forth below:

Liabilities:	
Fixed Rate Class A-X Notes	U.S.$33,500,000*
Floating Rate Class A-FP Senior Notes	U.S.$321,000,000
Floating Rate Class A-1 Senior Notes	U.S.$544,000,000
Floating Rate Class A-2 Senior Notes	U.S.$141,000,000
Floating Rate Class B-FP Mezzanine Notes	U.S.$57,600,000
Floating Rate Class B-1 Mezzanine Notes	U.S.$67,400,000
Fixed/Floating Rate Class B-2 Mezzanine Notes	U.S.$31,000,000
Floating Rate Class C-FP Mezzanine Notes	U.S.$52,800,000
Floating Rate Class C-1 Mezzanine Notes	U.S.$81,200,000
Fixed/Floating Rate Class C-2 Mezzanine Notes	U.S.$28,000,000
Floating Rate Class D-FP Mezzanine Notes	U.S.$35,050,000
Floating Rate Class D-1 Mezzanine Notes	U.S.$72,500,000
Subordinate Income Notes	U.S.$95,500,000
Total liabilities	U.S.$1,560,550,000
Shareholder's equity:	
Ordinary Shares, U.S.$1 par value per share, 250 shares issued and allotted	U.S.$250
Retained Earnings	U.S.$250
Total shareholders' equity	U.S.$500
Total capitalization	U.S.$1,560,550,500

* Amortizing Nominal Balance.

The Co-Issuer

Preferred Term Securities XXIII, Inc. (the "**Co-Issuer**") was incorporated on August 30, 2006 as a corporation under the General Corporation Law of the State of Delaware in the United States with file number 4212966, and the name and address of its registered agent is RL & F Service Corp., One Rodney Square, 10th Floor, Tenth and King Streets, Wilmington, Delaware 19801, and the telephone number of its registered agent at such address is (302) 651-7642. The Co-Issuer will not have any significant assets and will not pledge any assets to secure the Notes.

The purpose of the Co-Issuer, as described in Article THIRD of its certificate of incorporation, is to (a) authorize, co-issue, sell and deliver, jointly with the Issuer, the Senior Notes and the Mezzanine Notes; (b) engage in any activities necessary to enable the Co-Issuer or the Issuer to authorize, co-issue, sell, deliver and/or otherwise deal with the Class A-X Notes, the Senior Notes and the Mezzanine Notes; and (c) to engage in any lawful act or activity and to exercise any powers permitted under the General Corporation Law of the State of Delaware incidental to the foregoing.

As of the Closing Date, the Co-Issuer will be capitalized only to the extent of its common equity of U.S.$100, will have no assets other than its equity capital and will have no debt other than as Co-Issuer of the Class A-X Notes, the Senior Notes and the Mezzanine Notes. The Co-Issuer will not be an obligor on the Income Notes.

The Director of the Co-Issuer is Donald J. Puglisi. Donald J. Puglisi is the President, Secretary and Treasurer of the Co-Issuer. Donald J. Puglisi is the MBNA America Professor of Business Emeritus at the University of Delaware and Managing Director of Puglisi & Associates. Donald J. Puglisi may be contacted care of the following address: Preferred Term Securities XXIII, Inc., c/o RL & F Service Corp., One Rodney Square, 10th Floor, Tenth and King Streets, Wilmington, Delaware 19801. Mr. Puglisi's telephone number is (302) 738-6680.

DESCRIPTION OF THE NOTES

Definitions of certain defined terms used below are set forth in the Glossary set forth as Annex A hereto, and an index of certain defined terms used herein appears as Annex B hereto.

*The Notes will be issued pursuant to an indenture that will be dated as of the Closing Date among the Issuer, the Co-Issuer and the Trustee (the "**Indenture**"). The following summaries generally describe certain provisions of the Notes and the Indenture. The summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of the Notes and the Indenture. When particular provisions or terms used in the Notes and the Indenture are referred to, the actual provisions (including definitions of terms) are incorporated by reference. Documents referred to in this Offering Circular will not be deemed to constitute a part of the prospectus filed with the Irish Stock Exchange and the Irish Financial Services Regulatory Authority in connection with the approval and listing of the Notes (the "**Prospectus**"). Copies of the Indenture may be obtained by Noteholders upon request in writing to the Trustee at its Corporate Trust Office and by prospective purchasers of Notes from the Placement Agents.*

The Indenture limits the amount of Notes that can be outstanding thereunder (subject to increase on account of Mezzanine Capitalized Note Interest) to (i) an aggregate of U.S.$33,500,000 Amortizing Nominal Balance of Fixed Rate Class A-X Notes Due September 22, 2011 (the "**Class A-X Notes**", (ii) an aggregate of U.S.$321,000,000 principal amount of Floating Rate Class A-FP Senior Notes Due December 22, 2036 (the "**Class A-FP Senior Notes**"), (iii) an aggregate of U.S.$544,000,000 principal amount of Floating Rate Class A-1 Senior Notes Due December 22, 2036 (the "**Class A-1 Senior Notes**"), (iv) an aggregate of U.S.$141,000,000 principal amount of Floating Rate Class A-2 Senior Notes Due December 22, 2036 (the "**Class A-2 Senior Notes**" and together with the Class A-FP Senior Notes and the Class A-1 Senior Notes, the "**Senior Notes**"), (v) an aggregate of U.S.$57,600,000 principal amount of Floating Rate Class B-FP

Mezzanine Notes Due December 22, 2036 (the "**Class B-FP Mezzanine Notes**"), (vi) an aggregate of U.S.$67,400,000 principal amount of Floating Rate Class B-1 Mezzanine Notes Due December 22, 2036 (the "**Class B-1 Mezzanine Notes**"), (vii) an aggregate of U.S.$31,000,000 principal amount of Fixed/Floating Rate Class B-2 Mezzanine Notes Due December 22, 2036 (the "**Class B-2 Mezzanine Notes**" and together with the Class B-FP Mezzanine Notes and the Class B-1 Mezzanine Notes, the "**Class B Mezzanine Notes**"), (viii) an aggregate of U.S.$52,800,000 principal amount of Floating Rate Class C-FP Mezzanine Notes Due December 22, 2036 (the "**Class C-FP Mezzanine Notes**"), (ix) an aggregate of U.S.$81,200,000 principal amount of Floating Rate Class C-1 Mezzanine Notes Due December 22, 2036 (the "**Class C-1 Mezzanine Notes**"), (x) an aggregate of U.S.$28,000,000 principal amount of Fixed/Floating Rate Class C-2 Mezzanine Notes Due December 22, 2036 (the "**Class C-2 Mezzanine Notes**" and together with the Class C-FP Mezzanine Notes and the Class C-1 Mezzanine Notes, the "**Class C Mezzanine Notes**"), (xi) an aggregate of U.S.$35,050,000 principal amount of Floating Rate Class D-FP Mezzanine Notes Due December 22, 2036 (the "**Class D-FP Mezzanine Notes**"), (xii) an aggregate of U.S.$72,500,000 principal amount of Floating Rate Class D-1 Mezzanine Notes Due December 22, 2036 (the "**Class D-1 Mezzanine Notes**" and together with the Class D-FP Mezzanine Notes, the "**Class D Mezzanine Notes**") and (xiii) an aggregate of U.S.$95,500,000 principal amount of Subordinate Income Notes Due December 22, 2036 (the "**Income Notes**").

The Class B Mezzanine Notes, the Class C Mezzanine Notes and the Class D Mezzanine Notes are collectively referred to as the "**Mezzanine Notes**". The Class A-FP Senior Notes, the Class B-FP Mezzanine Notes, the Class C-FP Mezzanine Notes and the Class D-FP Mezzanine Notes are collectively referred to as the "**FP Notes**". The Class A-X Notes, the Senior Notes, the Mezzanine Notes and the Income Notes are collectively referred to as the "**Notes**".

The Class A-X Notes, the Senior Notes and the Mezzanine Notes will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. The Income Notes will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1 in excess thereof. After issuance, (i) the principal amount of a Note may fail to be in compliance with the minimum denomination requirements stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments and (ii) the Mezzanine 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 Mezzanine Note Capitalized Interest.

No investor may purchase an Income Note if, after giving effect to such purchase, that investor (together with any of its affiliates) would own, directly or indirectly, more than 49.9% of the Aggregate Principal Amount of the Income Notes. In that regard, entities that purchase Income Notes may wish to consult their accountants in respect of FASB Interpretation No. 46—Consolidation of Variable Interest Entities, as revised by FIN 46R.

The record date for each Payment Date (including the Stated Maturity Date) is the close of business on the 15th day (whether or not a Business Day) prior to such Payment Date (in each case, the "**Record Date**"). Payments of interest on and principal, if any, of all Notes will be made on each Payment Date as described in "—Payments on the Notes—*General*". Notice will be mailed to each Noteholder of record no later than five Business Days before the Payment Date on which the final principal payment is expected to be made to such Noteholder (other than on the Stated Maturity Date).

Under the terms of the Indenture, the Trustee is the initial paying agent (in such capacity, the "**Paying Agent**") for the Notes. Custom House Administration & Corporate Services Ltd. in Dublin, Ireland, or any successor thereto, will also act as a paying agent for the Class A-X Notes, the Senior Notes and the Mezzanine Notes for so long as any Class A-X Notes, Senior Notes and Mezzanine Notes are listed on the Irish Stock Exchange. Payments of principal of and interest on the Notes as described herein will be made from Available Funds in the Collection Account, from the single payment due on the Reserve Account Strip on its maturity date, from the amounts, if any, on deposit in the Reserve Account, and from payments, if any, made to the Issuer under the Hedge Agreements.

All collections in respect of the Capital Securities in the Trust Estate will be deposited directly into the Collection Account and will be available to the extent described herein for the payment of amounts payable in respect of the Notes and for the other purposes described herein and set forth in the Indenture.

Payments on the Notes

General

Subject to the availability of funds and to the Priority of Payments, the Class A-X Notes, the Senior Notes and the Mezzanine Notes will provide for the payment of interest on March 22, June 22, September 22 and December 22 of each year or, if any such day is not a Business Day, then the next succeeding Business Day (each such date, a "**Payment Date**"), beginning on the Payment Date in December, 2006 and continuing through the applicable Final Maturity Date.

The Income Notes will not be entitled to payments of interest at a stated rate, but will be entitled to receive as payments of interest and principal all excess funds available for distribution on each Payment Date in accordance with the Priority of Payments.

Principal of and interest on the Notes will be payable in U.S. dollars. Such payments will be made to a Holder of a Certificated Note by wire transfer to an account maintained at a bank by the Holder thereof in immediately available funds or, if appropriate instructions are not received at least 15 days prior to the relevant Payment Date, by check drawn on a United States bank mailed to the address of the Holder specified in the Note Register. Principal of and interest on a Certificated Note due at maturity will be paid upon presentation of such Note at the office of any paying agent designated for such purpose under the Indenture. Installments of principal and interest due other than at maturity of Certificated Notes will be payable to the persons in whose name such Notes are registered at the close of business on the Record Date with respect to the relevant Payment Date. In the event that the Issuer issues or causes to be issued any Physical Notes in exchange for the applicable Global Note in the limited circumstances described in "—Form, Denomination and Registration", payment of interest on and principal of such Physical Notes will be made in the same manner as payment of interest on and principal of Certificated Notes.

Payments of the principal of and interest on a Global Note will be made to DTC or its nominee, as the registered owner thereof. The Issuer, the Trustee and any paying agent will not have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments on the Class A-X Notes

The Class A-X Notes will be issued with an initial Amortizing Nominal Balance of U.S.$33,500,000 and will have a Stated Maturity Date that occurs on the Payment Date in September 2011.

Subject to the availability of funds and to the Priority of Payments, on each Payment Date occurring on or prior to the Stated Maturity Date of the Class A-X Notes, the Holders of the Class A-X Notes will be entitled to receive an amount (the "**Class A-X Payment Amount**") equal to the greater of:

(a) the sum of (x) accrued interest for the related Class A-X Interest Accrual Period on the outstanding Amortizing Nominal Balance of the Class A-X Notes (after giving effect to payments made on or about the first day of such Interest Accrual Period) at a per annum rate equal to 5.66% (the "**Class A-X Note Rate**"), computed on the basis of a 360-day year consisting of twelve 30-day months, (y) any Outstanding Class A-X Shortfall Amount as of such Payment Date and (z) solely with respect to any payment made on or after the Stated Maturity Date of the Class A-X Notes, the outstanding Amortizing Nominal Balance of the Class A-X Notes; and

(b) the sum of (x) accrued interest for the related Class A-X Interest Accrual Period at a fixed rate equal to 1.75% per annum on the Class A-X Calculation Amount (after giving effect to payments made thereon on or about the first day of such Class A-X Interest Accrual Period), computed on the basis of a 360-day year consisting of twelve 30-day months and (y) any premiums paid to the Issuer in connection with the optional redemption of any PreTSL III PreTS[sm] during the related Due Period;

provided that the Class A-X Payment Amount will not exceed the amount that, when applied in accordance with the following paragraph, will reduce the Amortizing Nominal Balance of the Class A-X Notes to zero.

Any Class A-X Payment Amount received by the Holders of the Class A-X Notes on a Payment Date will be applied (i) *first*, to pay interest, computed on the basis of a 360-day year consisting of twelve 30-day months, at a per annum rate equal to the Class A-X Note Rate, for the Class A-X Interest Accrual Period on the outstanding Amortizing Nominal Balance of the Class A-X Notes (after giving effect to payments made on or about the first day of the Class A-X Interest Accrual Period) and (ii) *second*, to reduce the Amortizing Nominal Balance of the Class A-X Notes to zero. To the extent that on any Payment Date funds are not available in accordance with the Priority of Payments to pay the amount contemplated by clause (i) of the prior sentence, an amount equal to such shortfall (the "**Class A-X Shortfall Amount**") will be added to the Amortizing Nominal Balance of the Class A-X Notes. Following any reduction of the Amortizing Nominal Balance of the Class A-X Notes to zero, the Class A-X Notes will be deemed paid in full, and the Holders thereof will not receive any further payments thereon. As of any date, the "**Amortizing Nominal Balance**" of the Class A-X Notes will equal (i) an amount equal to U.S.$33,500,000, which represents the initial Amortizing Nominal Balance of the Class A-X Notes, plus (ii) any Class A-X Shortfall Amount added to the Amortizing Nominal Balance of the Class A-X Notes, minus (iii) any portion of the Class A-X Payment Amounts that are applied to reduce the Amortizing Nominal Balance of the Class A-X Notes as described above. As of any date of determination, the "**Outstanding Class A-X Shortfall Amount**" is the amount obtained by summing, with respect to each Class A-X Shortfall Amount, the difference, if positive, between (x) the amount of such Class A-X Shortfall Amount minus (y) any portion of the Class A-X Payment Amounts applied to reduce the Amortizing Nominal Balance of the Class A-X Notes on one or more subsequent Payment Dates that reflects such Class A-X Shortfall Amount. All payments of the Amortizing Nominal Balance of the Class A-X Notes will be deemed to be applied first to the portion of the Amortizing Nominal Balance that reflects any Class A-X Shortfall Amount.

Interest Payments on the Senior Notes and the Mezzanine Notes

The Class A-FP Senior Notes will bear interest at a per annum rate equal to LIBOR for the related Interest Accrual Period plus 0.20% (such rate, the "**Class A-FP Senior Note Rate**").

The Class A-1 Senior Notes will bear interest at a per annum rate equal to LIBOR for the related Interest Accrual Period plus 0.31% (such rate, the "**Class A-1 Senior Note Rate**").

The Class A-2 Senior Notes will bear interest at a per annum rate equal to LIBOR for the related Interest Accrual Period plus 0.39% (such rate, the "**Class A-2 Senior Note Rate**").

The Class B-FP Mezzanine Notes will bear interest at a per annum rate equal to LIBOR for the related Interest Accrual Period plus 0.38% (such rate, the "**Class B-FP Mezzanine Note Rate**").

The Class B-1 Mezzanine Notes will bear interest at a per annum rate equal to LIBOR for the related Interest Accrual Period plus 0.62% (the "**Class B-1 Mezzanine Note Rate**").

During the period from the Closing Date to but excluding September 22, 2011 (the "**Five-Year Fixed Rate Period**"), the Class B-2 Mezzanine Notes will bear interest at 5.792% per annum (such rate, the "**Class B-2 Mezzanine Note Fixed Rate**"). After the Five-Year Fixed Rate Period, the Class B-2 Mezzanine Notes

will bear interest at a per annum rate equal to LIBOR for the related Interest Accrual Period plus 0.62% (such rate, the "**Class B-2 Mezzanine Note Floating Rate**").

The Class C-FP Mezzanine Notes will bear interest at a per annum rate equal to LIBOR for the related Interest Accrual Period plus 0.73% (such rate, the "**Class C-FP Mezzanine Note Rate**").

The Class C-1 Mezzanine Notes will bear interest at a per annum rate equal to LIBOR for the related Interest Accrual Period plus 1.15% (the "**Class C-1 Mezzanine Note Rate**").

During the Five-Year Fixed Rate Period, the Class C-2 Mezzanine Notes will bear interest at 6.322% per annum (such rate, the "**Class C-2 Mezzanine Note Fixed Rate**"). After the Five-Year Fixed Rate Period, the Class C-2 Mezzanine Notes will bear interest at a per annum rate equal to LIBOR for the related Interest Accrual Period plus 1.15% (such rate, the "**Class C-2 Mezzanine Note Floating Rate**").

The Class D-FP Mezzanine Notes will bear interest at a per annum rate equal to LIBOR for the related Interest Accrual Period plus 1.60% (such rate, the "**Class D-FP Mezzanine Note Rate**").

The Class D-1 Mezzanine Notes will bear interest at a per annum rate equal to LIBOR for the related Interest Accrual Period plus 2.10% (such rate, the "**Class D-1 Mezzanine Note Rate**").

The Class B Mezzanine Notes will be subordinate to the Senior Notes in respect of payments of interest, and to certain expenses of the Co-Issuers, as described herein. The Class C Mezzanine Notes will be subordinate to the Senior Notes and the Class B Mezzanine Notes in respect of interest and to certain expenses of the Co-Issuers, as described herein. The Class D Mezzanine Notes will be subordinate to the Senior Notes, the Class B Mezzanine Notes and the Class C Mezzanine Notes in respect of interest and to certain expenses of the Co-Issuers, as described herein.

For so long as any of the Senior Notes are Outstanding, to the extent that funds are not available in accordance with the Priority of Payments on any Payment Date to pay in full the current interest on the Class B-FP Mezzanine Notes, the Class B-1 Mezzanine Notes or the Class B-2 Mezzanine Notes, the unpaid interest amount on such class or classes of Mezzanine Notes that would otherwise be due and payable on such Payment Date ("**Class B Mezzanine Note Capitalized Interest**") will not be due and payable on such date, but will be added to the principal amount of the class or classes of Class B Mezzanine Notes so affected, and thereafter shall bear interest at the Class B-FP Mezzanine Note Rate, the Class B-1 Mezzanine Note Rate or the Class B-2 Mezzanine Note Rate, as applicable, to the extent permitted by law. Also, the failure to pay any interest due on the Class B Mezzanine Notes will not be an Event of Default so long as any Senior Notes are Outstanding.

For so long as any of the Senior Notes or the Class B Mezzanine Notes are Outstanding, to the extent that funds are not available in accordance with the Priority of Payments on any Payment Date to pay in full the current interest on the Class C-FP Mezzanine Notes, the Class C-1 Mezzanine Notes or the Class C-2 Mezzanine Notes, the unpaid interest amount on such class or classes of Mezzanine Notes that would otherwise be due and payable on such Payment Date ("**Class C Mezzanine Note Capitalized Interest**") will not be due and payable on such date, but will be added to the principal amount of the class or classes of Class C Mezzanine Notes so affected, and thereafter shall bear interest at the Class C-FP Mezzanine Note Rate, the Class C-1 Mezzanine Note Rate or the Class C-2 Mezzanine Note Rate, as applicable, to the extent permitted by law. Also, the failure to pay any interest due on the Class C Mezzanine Notes will not be an Event of Default so long as any of the Senior Notes or the Class B Mezzanine Notes are Outstanding.

For so long as any of the Senior Notes, the Class B Mezzanine Notes or the Class C Mezzanine Notes are Outstanding, to the extent that funds are not available in accordance with the Priority of Payments on any Payment Date to pay in full the current interest on the Class D-FP Mezzanine Notes or the Class D-1 Mezzanine Notes, the unpaid interest amount on such class or classes of Mezzanine Notes that would

otherwise be due and payable on such Payment Date ("**Class D Mezzanine Note Capitalized Interest**") will not be due and payable on such date, but will be added to the principal amount of the class or classes of Class D Mezzanine Notes so affected, and thereafter shall bear interest at the Class D-FP Mezzanine Note Rate or the Class D-1 Mezzanine Note Rate, to the extent permitted by law. Also, the failure to pay any interest due on the Class D Mezzanine Notes will not be an Event of Default so long as any of the Senior Notes, the Class B Mezzanine Notes or the Class C Mezzanine Notes are Outstanding.

Interest on the Class A-1 Senior Notes, the Class A-2 Senior Notes, the FP Notes, the Class B-1 Mezzanine Notes, the Class C-1 Mezzanine Notes and the Class D-1 Mezzanine Notes will accrue from and including the Closing Date and will be payable quarterly in arrears in respect of each Interest Accrual Period on the related Payment Date to the Holders of such Notes as of the related Record Date. Interest on the Class A-1 Senior Notes, the Class A-2 Senior Notes, the FP Notes, the Class B-1 Mezzanine Notes, the Class C-1 Mezzanine Notes and the Class D-1 Mezzanine Notes will be computed for each Interest Accrual Period on the basis of the actual number of days in such Interest Accrual Period and a 360-day year.

During the Five-Year Fixed Rate Period, interest will accrue on the Class B-2 Mezzanine Notes and Class C-2 Mezzanine Notes at their respective fixed rates and be payable quarterly in arrears on each Payment Date. During this period, interest on the Class B-2 Mezzanine Notes and Class C-2 Mezzanine Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Five-Year Fixed Rate Interest Accrual Period for the first Payment Date will be from and including the Closing Date to but excluding December 22, 2006. The Five-Year Fixed Rate Interest Accrual Period for each subsequent Payment Date during the Five-Year Fixed Rate Period will be from and including the 22nd day of the month of the prior Payment Date to but excluding the 22nd day of the month in which the current Payment Date occurs. After the Payment Date in September 2011, interest on the Class B-2 Mezzanine Notes and Class C-2 Mezzanine Notes will be payable at their respective floating rates quarterly in arrears in respect of each such Interest Accrual Period on the related Payment Date. During this period, interest on the Class B-2 Mezzanine Notes and Class C-2 Mezzanine Notes will be computed on the basis of the actual number of days in the Interest Accrual Period and a 360-day year.

The Class A-X Notes will provide for payments of interest on each Payment Date through the Payment Date occurring in September 2011 and each class of Senior Notes and Mezzanine Notes will provide for payments of interest on each Payment Date through the Payment Date occurring in December 2036 (each such Payment Date, the "**Stated Maturity Date**" with respect to the related class of Notes), or such earlier date on which the Aggregate Principal Amount (or in the case of the Class A-X Notes, the Amortizing Nominal Balance) of such class of Notes is paid in full (each such date, the "**Final Maturity Date**" for such class of Notes).

The Class A-X Payment Amount and interest payable on the Class A-FP Senior Notes, the Class A-1 Senior Notes and the Class A-2 Senior Notes will rank *pari passu*. Interest payable on the Class B-FP Mezzanine Notes, the Class B-1 Mezzanine Notes and the Class B-2 Mezzanine Notes will rank *pari passu*. Interest payable on the Class C-FP Mezzanine Notes, the Class C-1 Mezzanine Notes and the Class C-2 Mezzanine Notes will rank *pari passu*. Interest payable on the Class D-FP Mezzanine Notes and the Class D-1 Mezzanine Notes will rank *pari passu*. Interest payments on the Senior Notes and the Mezzanine Notes will be made in accordance with the Priority of Payments. See "Description of the Notes—Priority of Payments".

The interest rate borne by any Senior Note or any Mezzanine Note will not be higher than the maximum rate then permitted by New York law as the same may be modified by United States law.

LIBOR for the first Interest Accrual Period will be 5.39%. Thereafter, LIBOR for an Interest Accrual Period will be determined on each "**LIBOR Determination Date**", which will be the date that is two London Banking Days (i.e., a day in which dealings in deposits in U.S. dollars are transacted in the London interbank market) preceding the Index Capital Security Payment Date in the month in which such Interest Accrual Period commences.

"**LIBOR**" means, for any Interest Accrual Period, the London interbank offered interest rate for three-month U.S. dollar deposits determined by the Note Calculation Agent in the following order of priority:

(i) the rate (expressed as a percentage per annum) for U.S. dollar deposits having a three-month maturity that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the related LIBOR Determination Date. "**Telerate Page 3750**" means the display designated as "Page 3750" on the Moneyline Telerate Service or such other page as may replace Page 3750 on that service or such other service or services as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying London interbank offered rates for U.S. dollars deposits;

(ii) if such rate cannot be identified on the related LIBOR Determination Date, the Note Calculation Agent will request the principal London offices of four leading banks in the London interbank market to provide such banks' offered quotations (expressed as percentages per annum) to prime banks in the London interbank market for U.S. dollar deposits having a three-month maturity as of 11:00 a.m. (London time) on such LIBOR Determination Date. If at least two quotations are provided, LIBOR will be the arithmetic mean of such quotations;

(iii) if fewer than two such quotations are provided as requested in clause (ii) above, the Note Calculation Agent will request four major New York City banks to provide such banks' offered quotations (expressed as percentages per annum) to leading European banks for loans in U.S. dollars as of 11:00 a.m. (London time) on such LIBOR Determination Date. If at least two such quotations are provided, LIBOR will be the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested in clause (iii) above, LIBOR will be LIBOR determined with respect to the Interest Accrual Period immediately preceding such current Interest Accrual Period.

If the rate for U.S. dollar deposits having a three-month maturity that initially appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the related LIBOR Determination Date is superseded on Telerate Page 3750 by a corrected rate by 12:00 noon (London time) on such LIBOR Determination Date, then the corrected rate as so substituted on the applicable page will be the applicable LIBOR for such LIBOR Determination Date.

The "**Note Calculation Agent**" for purposes of determining LIBOR on the Senior Notes and the Mezzanine Notes for an Interest Accrual Period will initially be The Bank of New York. The Note Calculation Agent may at any time resign by giving written notice of resignation to the Trustee. The Trustee may at any time terminate the agency of any Note Calculation Agent by giving written notice of termination to the Note Calculation Agent. Upon receiving such notice of resignation or upon such a termination, the Trustee may appoint a successor Note Calculation Agent and shall give written notice of any such appointment to the Issuer.

"**Interest Accrual Period**" means, (i) with respect to the first Payment Date, the period from and including the Closing Date to but excluding December 22, 2006, and (ii) thereafter, with respect to each Payment Date, the period from and including the preceding Payment Date to but excluding such current Payment Date.

Interest on the Class A-1 Senior Notes, the Class A-2 Senior Notes, the FP Notes, the Class B-1 Mezzanine Notes, the Class C-1 Mezzanine Notes and the Class D-1 Mezzanine Notes for an Interest Accrual Period will be calculated on the related Aggregate Principal Amount after giving effect to principal payments, if any, made on the Payment Date occurring on the first day of that Interest Accrual Period. During the Five-Year Fixed Rate Period, interest on the Class B-2 Mezzanine Notes and the Class C-2 Mezzanine Notes

for a Five-Year Fixed Rate Interest Accrual Period will be calculated on the related Aggregate Principal Amount after giving effect to principal payments, if any, made on the Payment Date occurring on or about the first day of such Five-Year Fixed Rate Interest Accrual Period.

"**Class A-X Interest Accrual Period**" means, (i) with respect to the first Payment Date, the period from and including the Closing Date to but excluding December 22, 2006 and (ii) thereafter, with respect to each Payment Date on or before the Payment Date in September 2011, the period from and including the 22nd day of the month of the prior Payment Date to but excluding the 22nd day of the month in which the current Payment Date occurs.

"**Five-Year Fixed Rate Interest Accrual Period**" means, (i) with respect to the first Payment Date, the period from and including the Closing Date to but excluding December 22, 2006 and (ii) thereafter, with respect to each Payment Date on or before the Payment Date in September 2011, the period from and including the 22nd day of the month of the prior Payment Date to but excluding the 22nd day of the month in which the current Payment Date occurs.

Notwithstanding the foregoing, the first Interest Accrual Period for the Class B-2 Mezzanine Notes and the Class C-2 Mezzanine Notes after the last Five-Year Fixed Rate Interest Accrual Period will commence on the first day after such Five-Year Fixed Rate Interest Accrual Period.

Principal Payments on the Senior and the Mezzanine Notes

Subject to the availability of funds and the Priority of Payments, principal of the Senior Notes and the Mezzanine Notes will be made in the priority described under "—Priority of Payments". Subject to the Priority of Payments, so long as (1) each Coverage Test is satisfied, (2) no Event of Default has occurred and is continuing, (3) the condition set forth in clause (a)(x)(I) of the Priority of Payments is satisfied and (4) the Credit Migration Test and the Collateral Balance Test are both satisfied, principal payments will generally be made on the FP Notes in the order of priority set forth in the Priority of Payments until the aggregate principal amount of the FP Notes is reduced to zero before any principal payments are made on the Senior Notes and the Mezzanine Notes other than the FP Notes.

Principal payments on the Senior Notes and the Mezzanine Notes will generally be made from the following sources:

(a) on Payment Dates prior to the Stated Maturity Date to the extent (i) prepayments and any premiums (other than any premium paid in connection with the redemption or prepayment of any PreTSL III PreTS[sm] or any I-SMS) are received on the Capital Securities or final payments are received on any Capital Security, (ii) Coverage Prepayments are made if a Coverage Test is not met in connection with any such Payment Date, (iii) payments are made pursuant to clause (a)(x) of the Priority of Payments, and (iv) payments are made pursuant to clause (a)(xi)(B) of the Priority of Payments;

(b) on the Payment Date following the maturity date of the Reserve Account Strip;

(c) on the Payment Date related to the sale, if any, of Capital Securities that have become Defaulted Securities to Income Noteholders as described under "—Redemption and Prepayments—*Redemption Upon Default or Extension of Capital Securities*";

(d) on the Payment Date related to the sale, if any, of the Capital Securities to Income Noteholders as described under "—Redemption and Prepayments—*Redemption by Holders of Income Notes*"; and

(e) on the Payment Date following the auction sale, if any, of the Capital Securities as described under "—Redemption and Prepayments—*Redemption Upon Auction Sale of Capital Securities*".

All remaining Outstanding principal of the Senior Notes and the Mezzanine Notes will be payable on their Stated Maturity Date from the payments received at maturity of the Capital Securities. Net proceeds, if any, from a disposition, if any, of Capital Securities as described under "The Indenture—Enforcement of Certain Obligations; Capital Securities in Default", "Description of the D-Capital Securities Documents—Effect of PreTS[sm] Obligations and the Subordinated Debentures—*General*", "Description of the I-Capital Securities Documents—Effect of Obligations with Respect to the I-PreTS[sm]—*Corresponding Debentures*" and "Description of the R-PreTS[sm] Documents—Effect of Obligations with Respect to the R-PreTS[sm]—*Corresponding Debentures*" may also be applied to the payments of principal of the Senior Notes and the Mezzanine Notes.

The Capital Securities may be prepaid in accordance with their respective terms as described under "Description of the D-Capital Securities Documents", "Description of the I-Capital Securities Documents" and "Description of the R-PreTS[sm] Documents". The Capital Securities may be prepaid or purchased as described under "—Redemption and Prepayments" below.

Payments on the Income Notes

The Income Notes will not be entitled to payments of interest at a stated rate, but will be entitled to receive as payments of interest and principal all excess funds available for distributions on the Income Notes on each Payment Date in accordance with the Priority of Payments. The Income Notes will be subordinate to the Senior Notes and the Mezzanine Notes in respect of payments of principal and interest as described herein and to all expenses of the Co-Issuers. Following the liquidation of the Trust Estate and the distribution of any available remaining funds, the Income Notes will be cancelled and deemed paid in full for all purposes whether or not they have received payments in respect of principal equal to their stated principal amount.

Priority of Payments

Except where otherwise indicated below and except as described under "The Indenture—Events of Default", on each Payment Date (including any Final Maturity Date and, if funds become available after such Final Maturity Date, on any date after such Final Maturity Date), in accordance with the related Note Valuation Report, the Trustee shall withdraw funds from the Collection Account, to the extent of Available Funds, and shall apply those funds in the following order of priority (the orders of priority set forth in clauses (a) and (b) below, collectively referred to as the "**Priority of Payments**"):

(a) funds representing Interest Collections as of the related Calculation Date shall be distributed in the following order of priority:

(i) (x) to pay taxes payable by the Co-Issuers, if any; then (y) to pay the Trustee the amount of any due and unpaid Trustee Fee; and then (z) to pay the Trustee the amount of any due and unpaid Trustee Expenses, and thereafter any other due and unpaid expenses (including Administrative Expenses but excluding Trustee Expenses) of the Co-Issuers; *provided* that the cumulative amount paid under (x), (y) and (z) above (excluding any Administrative Expenses due or accrued with respect to the actions taken on or prior to the Closing Date and accountants' fees that the Trustee is required to pay (other than accountants' fees related to annual reviews)) plus the cumulative amount paid pursuant to clause (b)(i) below may not exceed U.S.$450,000 in the aggregate in any consecutive twelve (12) month period;

(ii) (x) *first*, to pay, on a *pro rata* basis, to the related Hedge Provider (A) the applicable portion of the Hedge Payment Amounts for such Payment Date and (B) any

termination payment payable to any such Hedge Provider under the related Hedge Agreements on account of an ISDA Event of Default or ISDA Termination Event for which the Issuer is the Defaulting or an Affected Party (as such terms are defined in the related ISDA Master); and

(y) *second*, to pay, on a *pro rata* basis based on amounts due on the related class under this clause (y), (A) the Class A-X Payment Amount for such Payment Date (which amount will be applied on the Class A-X Notes as described under "Description of the Notes—Payments on the Notes—*Payments on the Class A-X Notes*"), (B) accrued and unpaid interest on the Class A-FP Senior Notes at the Class A-FP Senior Note Rate, (C) accrued and unpaid interest on the Class A-1 Senior Notes at the Class A-1 Senior Note Rate and (D) accrued and unpaid interest on the Class A-2 Senior Notes at the Class A-2 Senior Note Rate;

(iii) if the Senior Coverage Test is not met as of the related Calculation Date, *first*, to redeem, on a *pro rata* basis based on the Senior Allocation Percentage of each such class, the Class A-FP Senior Notes and the Class A-1 Senior Notes until the first to occur of the following: (x) the Senior Coverage Test is satisfied or (y) the Aggregate Principal Amount of the Class A-1 Senior Notes is reduced to zero; and *second*, to redeem, on a *pro rata* basis based on Aggregate Principal Amount (after giving effect to the payments made to the Holders of the Class A-FP Senior Notes pursuant to the *first* clause above in this clause (iii)), the Class A-FP Senior Notes and the Class A-2 Senior Notes until the first to occur of the following: (x) the Senior Coverage Test is satisfied or (y) the Aggregate Principal Amount of such Senior Notes is reduced to zero;

(iv) *first*, to pay, on a *pro rata* basis based on interest due on each such class, (x) accrued and unpaid interest (other than Class B Mezzanine Note Capitalized Interest with respect to the Class B-FP Mezzanine Notes) on the Class B-FP Mezzanine Notes at the Class B-FP Mezzanine Note Rate, (y) accrued and unpaid interest (other than Class B Mezzanine Note Capitalized Interest with respect to the Class B-1 Mezzanine Notes) on the Class B-1 Mezzanine Notes at the Class B-1 Mezzanine Note Rate and (z) accrued and unpaid interest (other than Class B Mezzanine Note Capitalized Interest with respect to the Class B-2 Mezzanine Notes) on the Class B-2 Mezzanine Notes at the Class B-2 Mezzanine Note Rate; and *second*, to pay, on a *pro rata* basis based on Class B Mezzanine Note Capitalized Interest due on each such class, any accrued and unpaid Class B Mezzanine Note Capitalized Interest;

(v) if the Class B Mezzanine Coverage Test is not met as of the related Calculation Date (after giving effect to payments made in the above clauses), to redeem, on a *pro rata* basis based on Aggregate Principal Amount, the Senior Notes and the Class B Mezzanine Notes until the first to occur of the following: (x) the Class B Mezzanine Coverage Test is satisfied or (y) the Aggregate Principal Amount of the Senior Notes and the Class B Mezzanine Notes is reduced to zero;

(vi) *first*, to pay, on a *pro rata* basis based on interest due on each such class, (x) accrued and unpaid interest (other than Class C Mezzanine Note Capitalized Interest with respect to the Class C-FP Mezzanine Notes) on the Class C-FP Mezzanine Notes at the Class C-FP Mezzanine Note Rate, (y) accrued and unpaid interest (other than Class C Mezzanine Note Capitalized Interest with respect to the Class C-1 Mezzanine Notes) on the Class C-1 Mezzanine Notes at the Class C-1 Mezzanine Note Rate and (z) accrued and unpaid interest (other than Class C Mezzanine Note Capitalized Interest with respect to the Class C-2 Mezzanine Notes) on the Class C-2 Mezzanine Notes at the Class C-2 Mezzanine Note Rate; and *second*, to pay, on a *pro rata* basis based on Class C Mezzanine Note Capitalized Interest due on each such class, any accrued and unpaid Class C Mezzanine Note Capitalized Interest;

(vii) if the Class C Mezzanine Coverage Test is not met as of the related Calculation Date (after giving effect to payments made in the above clauses), to redeem, on a *pro rata* basis based on Aggregate Principal Amount, the Senior Notes, the Class B Mezzanine Notes and the Class C Mezzanine Notes until the first to occur of the following: (x) the Class C Mezzanine Coverage Test is satisfied or (y) the Aggregate Principal Amount of the Senior Notes, the Class B Mezzanine Notes and the Class C Mezzanine Notes is reduced to zero;

(viii) *first*, to pay, on a *pro rata* basis based on interest due on each such class, (x) accrued and unpaid interest (other than Class D Mezzanine Note Capitalized Interest with respect to the Class D-FP Mezzanine Notes) on the Class D-FP Mezzanine Notes at the Class D-FP Mezzanine Note Rate and (y) accrued and unpaid interest (other than Class D Mezzanine Note Capitalized Interest with respect to the Class D-1 Mezzanine Notes) on the Class D-1 Mezzanine Notes at the Class D-1 Mezzanine Note Rate; and *second*, to pay, on a *pro rata* basis based on Class D Mezzanine Note Capitalized Interest due on each such class, any accrued and unpaid Class D Mezzanine Note Capitalized Interest;

(ix) if the Class D Mezzanine Coverage Test is not met as of the related Calculation Date (after giving effect to payments made in the above clauses), to redeem, on a *pro rata* basis based on Aggregate Principal Amount, the Senior Notes, the Class B Mezzanine Notes, the Class C Mezzanine Notes and the Class D Mezzanine Notes until the first to occur of the following: (x) the Class D Mezzanine Coverage Test is satisfied or (y) the Aggregate Principal Amount of the Senior Notes, the Class B Mezzanine Notes, the Class C Mezzanine Notes and the Class D Mezzanine Notes is reduced to zero;

(x) to apply an aggregate amount not to exceed 50% of all Interest Collections remaining after giving effect to the payments made under (i) through (ix) above (I) *first*, if (A) the amount calculated as (x) the Aggregate Principal Amount of the Capital Securities in the Trust Estate as of the Closing Date (for the avoidance of doubt, including all Capital Securities owned by the Issuer on the Closing Date, any Replacement Capital Securities, any Delayed Settlement Capital Securities acquired by the Issuer after the Closing Date and any Failed Settlement Capital Securities acquired by the Issuer after the Closing Date) less (y) the Aggregate Principal Amount of the Capital Securities (other than Defaulted Securities) in the Trust Estate as of the related Calculation Date (after giving effect to any Principal Collections in respect of such Capital Securities on or before such date) exceeds (B) the amount calculated as (x) the sum of the Aggregate Principal Amount of the Senior Notes and the Aggregate Principal Amount of the Mezzanine Notes, in each case, as of the Closing Date less (y) the sum of the Aggregate Principal Amount of the Senior Notes and the Aggregate Principal Amount of the Mezzanine Notes, in each case, as of such Calculation Date (after giving effect to any payments made under (iii), (v), (vii) and (ix) above and the application, if any, of any proceeds of the Notes to redeem Notes as described under "Use of Proceeds" and after giving effect to the application of Principal Collections to the payment of principal of the Notes on such Payment Date), to redeem, on a *pro rata* basis based on the Aggregate Principal Amount of the Senior Notes and the Mezzanine Notes, the Senior Notes and the Mezzanine Notes until the first to occur of the following: (x) the amount calculated in clause (A) above does not exceed the amount calculated in clause (B) above (after giving effect to amounts paid pursuant to this clause (a)(x)) or (y) the Aggregate Principal Amount of the Senior Notes and the Mezzanine Notes is reduced to zero, and (II) *second*, if FP Notes remain Outstanding and either the Credit Migration Test or the Collateral Balance Test is not met as of the related Calculation Date, to redeem, on a *pro rata* basis based on Aggregate Principal Amount, each outstanding class of FP Notes until the Aggregate Principal Amount of the FP Notes is reduced to zero;

(xi) (A) *first*, to pay, on a *pro rata* basis, any termination payment payable to any Hedge Provider under any Hedge Agreement on account of an ISDA Event of Default or ISDA Termination Event for which such Hedge Provider is the Defaulting or the sole Affected Party and (B) *second*, on and after the Payment Date in September 2016, to apply an aggregate amount equal to 60% of all Interest Collections remaining after giving effect to the payments made under (i) through (xi)(A) above in the following order of priority:

(v) *first*, to redeem, on a *pro rata* basis based on the Senior Allocation Percentage of each such class, the Class A-FP Senior Notes and the Class A-1 Senior Notes until the Aggregate Principal Amount of the Class A-1 Senior Notes is reduced to zero;

(w) *second*, to redeem, on a *pro rata* basis based on Aggregate Principal Amount (after giving effect to the payments made to the Holders of the Class A-FP Senior Notes pursuant to clause (v) immediately above), the Class A-FP Senior Notes and the Class A-2 Senior Notes until the Aggregate Principal Amount of such Notes is reduced to zero;

(x) *third*, to redeem, on a *pro rata* basis based on Aggregate Principal Amount, the Class B-FP Mezzanine Notes, the Class B-1 Mezzanine Notes and the Class B-2 Mezzanine Notes until the Aggregate Principal Amount of the Class B-FP Mezzanine Notes, the Class B-1 Mezzanine Notes and the Class B-2 Mezzanine Notes is reduced to zero;

(y) *fourth*, to redeem, on a *pro rata* basis based on Aggregate Principal Amount, the Class C-FP Mezzanine Notes, the Class C-1 Mezzanine Notes and the Class C-2 Mezzanine Notes until the Aggregate Principal Amount of the Class C-FP Mezzanine Notes, the Class C-1 Mezzanine Notes and the Class C-2 Mezzanine Notes is reduced to zero; and

(z) *fifth*, to redeem, on a *pro rata* basis based on Aggregate Principal Amount, the Class D-FP Mezzanine Notes and the Class D-1 Mezzanine Notes until the Aggregate Principal Amount of the Class D-FP Mezzanine Notes and the Class D-1 Mezzanine Notes is reduced to zero;

(xii) to pay any due and unpaid Trustee Expenses and expenses of the Co-Issuers to the extent not previously paid in (i) above or pursuant to this clause (xii); and

(xiii) to pay all remaining amounts to the Holders of the Income Notes; and

(b) funds representing Principal Collections as of such Calculation Date shall be distributed in the following order of priority:

(i) to pay any due and unpaid Trustee Expenses and expenses of the Co-Issuers to the extent not paid in clause (a)(i) above, *provided* that the cumulative amount paid under clause (a)(i) above and under this clause (b)(i) may not exceed U.S.$450,000 in the aggregate in any consecutive twelve (12) month period;

(ii) to pay, on a *pro rata* basis, to any Hedge Provider any related unpaid applicable portion of the Hedge Payment Amounts and any related unpaid termination payment, in each case, payable by the Issuer to the related Hedge Provider under the related Hedge Agreements under clause (a)(ii)(x) above but not previously paid out of Interest Collections or pursuant to this clause (b)(ii);

(iii) to pay, on a *pro rata* basis based on amounts due on each such class, (A) any outstanding Class A-X Payment Amount, (B) accrued and unpaid interest on the Class A-FP Senior Notes at the Class A-FP Senior Note Rate, (C) accrued and unpaid interest on the Class A-1 Senior Notes at the Class A-1 Senior Note Rate and (D) accrued and unpaid interest on the Class A-2 Senior Notes at the Class A-2 Senior Note Rate, in each case to the extent not paid under clause (a)(ii) above;

(iv) if the Credit Migration Test and the Collateral Balance Test are both met as of the related Calculation Date, to pay, on a *pro rata* basis based on then outstanding Principal Allocation Balances (giving effect to any payments made on such Payment Date pursuant to clause (a)), principal of the Class A-FP Senior Notes, the Class B-FP Mezzanine Notes, the Class C-FP Mezzanine Notes and the Class D-FP Mezzanine Notes until such Principal Allocation Balances are reduced to zero;

(v) to pay, on a *pro rata* basis based on the Senior Allocation Percentage of each such class, principal of the Class A-1 Senior Notes and the Class A-FP Senior Notes until the Aggregate Principal Amount of the Class A-1 Senior Notes is paid in full;

(vi) (x) *first*, to pay on a *pro rata* basis based on Aggregate Principal Amounts (after giving effect to the payments made to the Holders of the Class A-FP Senior Notes pursuant to clause (b)(v) above) principal of the Class A-FP Senior Notes and the Class A-2 Senior Notes until paid in full and (y) *second*, to pay the Amortizing Nominal Balance of the Class A-X Notes until the Amortizing Nominal Balance thereof is reduced to zero;

(vii) to pay, on a *pro rata* basis based on Aggregate Principal Amounts (after giving effect to payments applied pursuant to clause (a) and clauses (b)(i) through (b)(vi)), principal of the Class B-FP Mezzanine Notes, the Class B-1 Mezzanine Notes and the Class B-2 Mezzanine Notes until paid in full;

(viii) to pay, on a *pro rata* basis based on Aggregate Principal Amounts (after giving effect to payments applied pursuant to clause (a) and clauses (b)(i) through (b)(vii)), principal of the Class C-FP Mezzanine Notes. the Class C-1 Mezzanine Notes and the Class C-2 Mezzanine Notes until paid in full;

(ix) to pay, on a *pro rata* basis based on Aggregate Principal Amounts (after giving effect to payments applied pursuant to clause (a) and clauses (b)(i) through (b)(viii)), principal of the Class D-FP Mezzanine Notes and the Class D-1 Mezzanine Notes until paid in full;

(x) to pay any amounts due and unpaid in clause (b)(i) above to the extent not previously paid thereunder or under this clause (b)(x) and to pay amounts due and unpaid under clauses (a)(xi)(A) and (a)(xii) above to the extent not previously paid thereunder or under this clause (b)(x); and

(xi) to pay all remaining amounts to the Holders of the Income Notes.

Notwithstanding the foregoing, the scheduled payments to be made to the Hedge Providers in accordance with the Priority of Payments will be made on the payment date under the related Hedge Agreement that immediately precedes, or succeeds, as applicable, the related Payment Date. In addition, and also notwithstanding the foregoing, any Principal Collections as of a Calculation Date that are attributable to principal recoveries on or in respect of a Defaulted Security (other than, for the avoidance of doubt, any payment made by a Capital Security Issuer to cure a deferral on a Capital Security or any proceeds received by the Issuer in connection with a sale of a Defaulted Security to the Holders of the Income Notes as described

under "—Redemption and Prepayments—*Redemption Upon Default or Extension of Capital Securities*") shall not be applied to pay the amounts set forth in clauses (b)(iv) above.

As used herein, the "**Principal Allocation Balance**" of each class of FP Notes will be determined as follows:

(a) If, as of the related Payment Date, the Senior Coverage Ratio is equal to or greater than 100% (after giving effect to any payments made on such Payment Date pursuant to clause (a) of the Priority of Payments), the Principal Allocation Balance of the Class A-FP Senior Notes will be the greater of (x) zero and (y) an amount equal to (i) the Aggregate Principal Amount of the Class A-FP Senior Notes minus (ii) the excess, if any, of (A) the product of the FP Multiplier and the Collateral Reduction Amount as of such Payment Date (giving effect to any payments made on such date pursuant to clause (a) of the Priority of Payments) over (B) the sum of the Aggregate Principal Amounts of the Class B-FP Mezzanine Notes, the Class C-FP Mezzanine Notes and the Class D-FP Mezzanine Notes. If the Senior Coverage Ratio is less than 100% as of the related Payment Date (after giving effect to any payments made on such Payment Date pursuant to clause (a) of the Priority of Payments), then the Principal Allocation Balance of the Class A-FP Senior Notes will be zero.

(b) If, as of the related Payment Date, the Senior Coverage Test is satisfied and the Class B Mezzanine Coverage Ratio is equal to or greater than 100% (in each case, after giving effect to any payments made on such Payment Date pursuant to clause (a) of the Priority of Payments), then the Principal Allocation Balance of the Class B-FP Mezzanine Notes will be the greater of (x) zero and (y) an amount equal to (i) the Aggregate Principal Amount of the Class B-FP Mezzanine Notes minus (ii) the excess, if any, of (A) the product of the FP Multiplier and the Collateral Reduction Amount as of such Payment Date (after giving effect to any payments made on such Payment Date pursuant to clause (a) of the Priority of Payments) over (B) the sum of the Aggregate Principal Amounts of the Class C-FP Mezzanine Notes and the Class D-FP Mezzanine Notes. If, as of the related Payment Date, the Senior Coverage Test is not satisfied or the Class B Mezzanine Coverage Ratio is less than 100% (in each case, after giving effect to any payments made on such Payment Date pursuant to clause (a) of the Priority of Payments), then the Principal Allocation Balance of the Class B-FP Mezzanine Notes will be zero.

(c) If, as of the related Payment Date, the Class B Mezzanine Coverage Test is satisfied and the Class C Mezzanine Coverage Ratio is equal to or greater than 100% (in each case, after giving effect to any payments made on such Payment Date pursuant to clause (a) of the Priority of Payments), then the Principal Allocation Balance of the Class C-FP Mezzanine Notes will be the greater of (x) zero and (y) an amount equal to (i) the Aggregate Principal Amount of the Class C-FP Mezzanine Notes minus (ii) the excess, if any, of (A) the product of the FP Multiplier and the Collateral Reduction Amount as of such Payment Date (after giving effect to any payments made on such date pursuant to clause (a) of the Priority of Payments) over (B) the Aggregate Principal Amounts of the Class D-FP Mezzanine Notes. If, as of the related Payment Date, the Class B Mezzanine Coverage Test is not satisfied or the Class C Mezzanine Coverage Ratio is less than 100% (in each case, after giving effect to any payments made on such Payment Date pursuant to clause (a) of the Priority of Payments), then the Principal Allocation Balance of the Class C-FP Mezzanine Notes will be zero.

(d) If the Class C Mezzanine Coverage Test is satisfied as of the related Payment Date (after giving effect to any payments made on such Payment Date pursuant to clause (a) of the Priority of Payments), then the Principal Allocation Balance of the Class D-FP Mezzanine Notes will be the greater of (x) zero and (y) an amount equal to (i) the Aggregate Principal Amount of the Class D-FP Mezzanine Notes minus (ii) the product of the FP Multiplier and the Collateral Reduction Amount as of such Payment Date (after giving effect to any payments made on such date pursuant to clause (a) of the Priority of Payments). If, as of the related Payment Date, the Class C Mezzanine Coverage Test is

not satisfied (after giving effect to any payments made on such Payment Date pursuant to clause (a) of the Priority of Payments), then the Principal Allocation Balance of the Class D-FP Mezzanine Notes will be zero.

Coverage Prepayments

At any time that any of the Senior Notes are Outstanding, if the Senior Coverage Test is not satisfied as of any Calculation Date, then on the related Payment Date, certain of the amounts that would otherwise be used for distributions in respect of the Mezzanine Notes or the Income Notes if the Senior Coverage Test were satisfied will be applied, pursuant to the Priority of Payments, *first*, to redeem, on a *pro rata* basis based on the Senior Allocation Percentage of each such class, the Class A-FP Senior Notes and the Class A-1 Senior Notes until the first to occur of the following: (x) the Senior Coverage Test is satisfied or (y) the Aggregate Principal Amount of the Class A-1 Senior Notes is reduced to zero; and *second*, to redeem, on a *pro rata* basis based on Aggregate Principal Amount (after giving effect to the payments made to the Holders of the Class A-FP Senior Notes pursuant to the *first* clause above), the Class A-FP Senior Notes and the Class A-2 Senior Notes until the first to occur of the following: (x) the Senior Coverage Test is satisfied or (y) the Aggregate Principal Amount of such Senior Notes is reduced to zero, in each case without payment of any redemption premium. Such payments are referred to as "**Senior Coverage Prepayments**".

At any time the Class B Mezzanine Notes are Outstanding, if the Class B Mezzanine Coverage Test is not satisfied as of any Calculation Date, then on the related Payment Date, certain of the amounts that would otherwise be used for distributions in respect of the Class C Mezzanine Notes, the Class D Mezzanine Notes or Income Notes if the Class B Mezzanine Coverage Test were satisfied will be applied, pursuant to the Priority of Payments, to the extent necessary to satisfy the Class B Mezzanine Coverage Test, to principal payments, on a *pro rata* basis based on Aggregate Principal Amount, on the Senior Notes and the Class B Mezzanine Notes until they are paid in full ("**Class B Mezzanine Coverage Prepayments**") without payment of any redemption premium.

At any time the Class C Mezzanine Notes are Outstanding, if the Class C Mezzanine Coverage Test is not satisfied as of any Calculation Date, then on the related Payment Date, certain of the amounts that would otherwise be used for distributions in respect of the Class D Mezzanine Notes or Income Notes if the Class C Mezzanine Coverage Test were satisfied will be applied, pursuant to the Priority of Payments, to the extent necessary to satisfy the Class C Mezzanine Coverage Test, to principal payments, on a *pro rata* basis based on Aggregate Principal Amount, on the Senior Notes, the Class B Mezzanine Notes and the Class C Mezzanine Notes until they are paid in full ("**Class C Mezzanine Coverage Prepayments**") without payment of any redemption premium.

At any time the Class D Mezzanine Notes are Outstanding, if the Class D Mezzanine Coverage Test is not satisfied as of any Calculation Date, then on the related Payment Date, certain of the amounts that would otherwise be used for distributions in respect of the Income Notes if the Class D Mezzanine Coverage Test were satisfied will be applied, pursuant to the Priority of Payments, to the extent necessary to satisfy the Class D Mezzanine Coverage Test, to principal payments, on a *pro rata* basis based on Aggregate Principal Amount, on the Senior Notes, the Class B Mezzanine Notes, the Class C Mezzanine Notes and the Class D Mezzanine Notes until they are paid in full ("**Class D Mezzanine Coverage Prepayments**") without payment of any redemption premium.

Senior Coverage Test

On any Calculation Date, the "**Senior Coverage Test**" will be satisfied if the ratio, which shall be expressed as a percentage, of (x) to (y) equals or exceeds 128%, where (x) is an amount ("**Principal Coverage Amount**") equal to the sum of (i) the Adjusted Collateral Principal Amount of the Capital Securities; (ii) the Accreted Value of the Reserve Account Strip (as defined under "Description of the Notes—Reserve Account Strip") and (iii) the Aggregate Principal Amount of the Eligible Investments (other than Defaulted Securities)

and any cash that represent Principal Collections in the Trust Estate on such date; and (y) is the Aggregate Principal Amount of the Senior Notes on such date. (The Amortizing Nominal Balance of the Class A-X Notes is not included in clause (y).)

Class B Mezzanine Coverage Test

On any Calculation Date, the "**Class B Mezzanine Coverage Test**" will be satisfied if the ratio, which shall be expressed as a percentage, of (x) to (y) equals or exceeds 115%, where (x) is the Principal Coverage Amount and (y) is the sum of the Aggregate Principal Amount of the Senior Notes and the Aggregate Principal Amount of the Class B Mezzanine Notes. (The Amortizing Nominal Balance of the Class A-X Notes is not included in clause (y).)

Class C Mezzanine Coverage Test

On any Calculation Date, the "**Class C Mezzanine Coverage Test**" will be satisfied if the ratio, which shall be expressed as a percentage, of (x) to (y) equals or exceeds 105.8%, where (x) is the Principal Coverage Amount and (y) is the sum of the Aggregate Principal Amount of the Senior Notes, the Aggregate Principal Amount of the Class B Mezzanine Notes and the Aggregate Principal Amount of the Class C Mezzanine Notes. (The Amortizing Nominal Balance of the Class A-X Notes is not included in clause (y) above).

Class D Mezzanine Coverage Test

On any Calculation Date, the "**Class D Mezzanine Coverage Test**" will be satisfied if the ratio, which shall be expressed as a percentage, of (x) to (y) equals or exceeds (i) on any Calculation Date occurring in or prior to September 2016, 100.25%, and (ii) on any Calculation Date occurring after September 2016, 104%, where (x) is the Principal Coverage Amount and (y) is the sum of the Aggregate Principal Amount of the Senior Notes, the Aggregate Principal Amount of the Class B Mezzanine Notes, the Aggregate Principal Amount of the Class C Mezzanine Notes and the Aggregate Principal Amount of the Class D Mezzanine Notes. (The Amortizing Nominal Balance of the Class A-X Notes is not included in clause (y) above).

Tests Relating to Certain Principal Payments on the FP Notes

At any time the Class FP Notes are Outstanding, if the Credit Migration Test or the Collateral Balance Test is not satisfied as of any Calculation Date, then on the related Payment Date,

(a) Principal Collections will not be applied to pay principal of the Class FP Notes pursuant to clause (b)(iv) of the Priority of Payments; and

(b) 50% of the Interest Collections, if any, that remain after giving effect to the payments made under clauses (i) through (ix) of clause (a) of the Priority of Payments and are not applied pursuant to clause (a)(x)(I) of the Priority of Payments will instead be used to redeem the FP Notes of each Outstanding class pursuant to clause (a)(x)(II) of the Priority of Payments.

Collateral Balance Test

As used herein, "**Collateral Balance Test**" means, with respect to any Calculation Date, a test which is satisfied if the amount (expressed as a percentage) obtained by dividing (x) by (y) is greater than 50%, where (x) is the Aggregate Principal Amount of the Capital Securities (other than Defaulted Securities) in the Trust Estate as of the related Calculation Date (before giving effect to any Principal Collections in respect of such Capital Securities in the related Due Period) and (y) is the Aggregate Principal Amount of the Capital Securities in the Trust Estate as of the Closing Date (for the avoidance of doubt, including all Capital Securities owned by the Issuer on the Closing Date, any Replacement Capital Securities, any Delayed

Settlement Capital Securities acquired by the Issuer after the Closing Date and any Failed Settlement Capital Securities acquired by the Issuer after the Closing Date).

Credit Migration Test

As used herein, "**Credit Migration Test**" means, with respect to any Calculation Date, a test which is satisfied if the Credit Migration Coverage Ratio minus the Credit Migration Adjustment equals or exceeds 127.25%.

In calculating the Credit Migration Test, the following terms shall have the following meanings:

"**Credit Migration Adjustment**" means, as of any Calculation Date, the sum (expressed as a percentage) of 50% of the of the Cumulative CCC Migration Percentage, 30% of the Cumulative B Migration Percentage and 10% of the Cumulative BB Migration Percentage.

"**Credit Migration Coverage Ratio**" means, with respect to any Calculation Date, the ratio (expressed as a percentage) of (x) to (y), where (x) is, with respect to such Calculation Date, the sum of (i) the Aggregate Principal Amount of all Capital Securities (other than Defaulted Securities), (ii) the Accreted Value of the Reserve Account Strip and (iii) the Aggregate Principal Amount of the Eligible Investments (other than Defaulted Securities) and any cash that represent Principal Collections in the Trust Estate on such date, and (y) is the Aggregate Principal Amount of the Senior Notes on such Calculation Date.

"**Cumulative B Migration Percentage**" means as of any Calculation Date, the percentage (which may be negative) equal to (i) the Current B Credit Percentage minus (ii) the Base B Credit Percentage.

"**Cumulative BB Migration Percentage**" means as of any Calculation Date, the percentage (which may be negative) equal to (i) the Current BB Credit Percentage minus (ii) the Base BB Credit Percentage.

"**Cumulative CCC Migration Percentage**" means as of any Calculation Date, the percentage (which may be negative) equal to (i) the Current CCC Credit Percentage minus (ii) the Base CCC Credit Percentage.

"**Base B Credit Percentage**" means, as of any Calculation Date, the ratio (expressed as a percentage) of (x) to (y), where (x) is the Aggregate Outstanding Principal Balance of all Capital Securities (other than Defaulted Securities) that (a) are held by the Issuer as of such Calculation Date and (b) had a credit estimate from S&P of "B-", "B" or "B+" as of the Closing Date and (y) is the Aggregate Outstanding Principal Balance of all Capital Securities (other than Defaulted Securities) held by the Issuer as of such Calculation Date.

"**Base BB Credit Percentage**" means, as of any Calculation Date, the ratio (expressed as a percentage) of (x) to (y), where (x) is the Aggregate Outstanding Principal Balance of all Capital Securities (other than Defaulted Securities) that (a) are held by the Issuer as of such Calculation Date and (b) had a credit estimate from S&P of "BB-", "BB" or "BB+" as of the Closing Date and (y) is the Aggregate Outstanding Principal Balance of all Capital Securities (other than Defaulted Securities) held by the Issuer as of such Calculation Date.

"**Base CCC Credit Percentage**" means, as of any Calculation Date, the ratio (expressed as a percentage) of (x) to (y), where (x) is the Aggregate Outstanding Principal Balance of all Capital Securities (other than Defaulted Securities) that (a) are held by the Issuer as of such Calculation Date and (b) had a credit estimate from S&P of "CCC-", "CCC" or "CCC+" as of the Closing Date and (y) is the Aggregate Outstanding Principal Balance of all Capital Securities (other than Defaulted Securities) held by the Issuer as of such Calculation Date.

"**Current B Credit Percentage**" means, as of any Calculation Date, the ratio (expressed as a percentage) of (x) to (y), where (x) is the Aggregate Outstanding Principal Balance of all Capital Securities

(other than Defaulted Securities) held by the Issuer as of such date with a credit estimate from S&P of "B-", "B" or "B+" and (y) is the Aggregate Outstanding Principal Balance of all Capital Securities (other than Defaulted Securities) held by the Issuer as of such date.

"**Current BB Credit Percentage**" means, as of any Calculation Date, the ratio (expressed as a percentage) of (x) to (y), where (x) is the Aggregate Outstanding Principal Balance of all Capital Securities (other than Defaulted Securities) held by the Issuer as of such date with a Credit Estimate from S&P of "BB-", "BB" or "BB+" and (y) is the Aggregate Outstanding Principal Balance of all Capital Securities (other than Defaulted Securities) held by the Issuer as of such date.

"**Current CCC Credit Percentage**" means, as of any Calculation Date, the ratio (expressed as a percentage) of (x) to (y), where (x) is the Aggregate Outstanding Principal Balance of all Capital Securities (other than Defaulted Securities) held by the Issuer as of such date with a credit estimate from S&P of "CCC-", "CCC" or "CCC+" and (y) is the Aggregate Outstanding Principal Balance of all Capital Securities (other than Defaulted Securities) held by the Issuer as of such date.

Reserve Account Strip

On the Closing Date, the Issuer will purchase from FTN Financial Capital Markets a strip (the "**Reserve Account Strip**"), payable on September 15, 2016 in a single payment of U.S.$4,000,000, stripped from bonds issued by the Federal Home Loan Mortgage Corporation ("**Freddie Mac**"). The CUSIP number for the Reserve Account Strip is 3134A4BJ2. The Trustee will hold the Reserve Account Strip in the Reserve Account.

The "**Accreted Value of the Reserve Account Strip**" for any Calculation Date, will be the amount set forth for such Calculation Date in Annex C to this Offering Circular. There is no assurance that the market value of the Reserve Account Strip at any time will at least equal the Accreted Value of the Reserve Account Strip for that time.

The Reserve Account Strip is solely an obligation of Freddie Mac. The obligation of Freddie Mac on the Reserve Account Strip is not guaranteed by the United States and does not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than Freddie Mac. Information about Freddie Mac is available on its website at www.freddiemac.com. This web address and its contents will not form part of this Offering Circular for the purposes of listing the Senior and Mezzanine Notes on the Official List of the Irish Stock Exchange. Neither the Issuer nor either of the Placement Agents makes any representation or warranty as to the accuracy or completeness of such information.

Redemption and Prepayments

Optional Redemption Prepayments and Special Redemption Prepayments

If the Principal Balance of any Capital Security is prepaid pursuant to the terms of such Capital Security and, if applicable, the Corresponding Debenture prior to the maturity date of such Corresponding Debenture (whether at the option of the related Capital Securities Issuer or in connection with a Special Event) as described below under "Description of the D-Capital Securities Documents—Redemption and Prepayments of the D-Capital Securities", "Description of the I-Capital Securities Documents—Redemption and Prepayments of the I-Capital Securities" and "Description of the R-PreTS^{sm}—Redemption and Prepayments of the R-PreTS^{sm}" then the amount of such prepayment (together with any premium paid allocable thereto, other than any premium paid in connection with the redemption or prepayment of any PreTSL III PreTS^{sm} or any I-SMS) will be applied as Principal Collections, in the order of priority set forth in clause (b) of the Priority of Payments on the Payment Date following the Due Period in which such prepayment occurs. The premium, if any, required in respect of a prepayment of a Capital Security is described under "Description of the D-Capital Securities Documents—Redemption and Prepayments of the D-Capital Securities", "Description of the I-Capital Securities Documents—Redemption and Prepayments of the I-Capital Securities" and "Description

of the R-PreTS[sm]—Redemption and Prepayments of the R-PreTS[sm]". No premium is payable on any of the Notes in connection with an optional redemption or special redemption of any Capital Security. See "Description of the D-Capital Securities Documents—Redemption and Prepayments of the D-Capital Securities", "Description of the I-Capital Securities Documents—Redemption and Prepayments of the I-Capital Securities" and "Description of the R-PreTS[sm] Documents —Redemption and Prepayments of the R-PreTS[sm]". With respect to redemptions in respect of Special Events, see also "Risk Factors—Risk Factors Relating to the D-Capital Securities—*20. Accounting and Regulatory Issues with respect to the PreTS[sm] and the Trust Preferred D-SMS*", "—Risk Factors Relating to the I-Capital Securities—*27. Regulatory Treatment; Accounting Treatment*" and "—Risk Factors Relating to the R-PreTS[sm]—*28. Nature of R-PreTS[sm]*".

Redemption Upon Default or Extension of Capital Securities

The Holders of the Income Notes, in their sole discretion, may purchase any Capital Security that is a Defaulted Security at a price equal to (x) the Principal Balance of the related Capital Security plus accrued and unpaid distributions thereon less (y) any amounts distributed to Holders of the Senior Notes and the Mezzanine Notes pursuant to clauses (a)(iii), (v), (vii), (ix) and (x) of the Priority of Payments on account of such Defaulted Security. If the Trustee receives a notice from any Holder of Income Notes at least 30 Business Days prior to any Payment Date that such Holder of Income Notes desires to purchase such Defaulted Security, the Trustee will send a notice to the Holders of the Income Notes informing them of (i) the aggregate amount that must be paid by the Income Note Holders in order to purchase such Defaulted Security on the next succeeding Payment Date after such notice and (ii) the record date (which will be ten Business Days prior to such next succeeding Payment Date) by which the Holders of the Income Notes must notify the Trustee of their desire to participate in any purchase of such Defaulted Security. Thereafter, any Holder of Income Notes that wishes to participate in such purchase must (A) so notify the Trustee prior to such record date and (B) remit its *pro rata* share of the purchase price to the Trustee prior to the date specified by the Trustee. Each purchasing Holder of Income Notes will be entitled to purchase a *pro rata* portion of the Defaulted Security (determined on the basis of the principal amounts of the Income Notes owned by such purchasing Holder) or such lesser portion of the Defaulted Security as may be indicated by such purchasing Holder. However, in order to be entitled to purchase its portion of a Defaulted Security, each prospective purchasing Holder of an Income Note must be able to comply with any transfer restrictions or other requirements (including, but not limited to, any limitations on transfer under any applicable state, federal or other securities laws, minimum denomination requirements and, in some cases, the requirement that the transferee be an institutional investor) in the Underlying Instrument for such Defaulted Security. No assurance can be given that a prospective purchasing Holder of Income Notes will be able to so comply. On such next succeeding Payment Date, the proceeds of any such purchase allocable to principal will be applied as Principal Collections in accordance with clause (b) of the Priority of Payments and the proceeds of any such purchase allocable to interest will be applied as Interest Collections in accordance with clause (a) of the Priority of Payments. Holders of Income Notes who do not wish to participate in any such purchase will not be required to participate in such purchase. The purchasing Holders of Income Notes must arrange their own financing for any purchase.

For this purpose, a Surplus Note or the Surplus Note I-SMS will be considered to be a Defaulted Security if such Surplus Note Issuer or the Surplus Note I-SMS Issuer fails to make a scheduled payment of interest on such Surplus Note or the Surplus Note I-SMS and such failure continues for at least 30 days or it fails to make a scheduled payment of principal on such Surplus Note or the Surplus Note I-SMS, even though either such failure may not constitute an event of default under the related Surplus Note Indenture or the Underlying Instrument for the Surplus Note I-SMS.

Redemption by Holders of Income Notes

On any Payment Date occurring on or after the September 2011 Payment Date through and including the June 2016 Payment Date, the Holders of at least 66⅔% of the Aggregate Principal Amount of the Income Notes may, in their sole discretion, purchase all of the Capital Securities at a price equal to the Principal Balance thereof plus accrued and unpaid interest thereon; *provided* that such proceeds are sufficient to pay the Senior Notes and Mezzanine Notes in full and any unpaid fees and expenses of the Co-Issuers (including

without limitation any termination payments due with respect to any Hedge Agreements). Upon such purchase, the Issuer will redeem all of the Senior Notes and Mezzanine Notes then outstanding. Each Senior Note or Mezzanine Note so redeemed will be redeemed at a price equal to the aggregate principal amount of such Note on the date of redemption, plus accrued and unpaid interest thereon to such date. The remaining proceeds will be applied in accordance with the Priority of Payments. There can be no assurance that there will be any proceeds available for distribution to the Holders of the Income Notes.

If the Trustee receives a notice from any Holder of Income Notes at least 45 days but no more than 60 days prior to any Payment Date that such Holder of Income Notes desires to purchase the Capital Securities, the Trustee will send a notice to the Holders of the Income Notes informing them of (i) the aggregate amount that must be paid by the Income Note Holders in order to purchase the Capital Securities on that Payment Date and (ii) the record date (which will be 20 days prior to that Payment Date) by which the Holders of the Income Notes must notify the Trustee of their desire to participate in the purchase of the Capital Securities. Thereafter, subject to certain conditions set forth in the Indenture, if Holders of at least 66⅔% of the Aggregate Principal Amount of the Income Notes shall have (x) notified the Trustee prior to such record date that they desire to purchase the Capital Securities and (y) remitted the purchase price for the Capital Securities at least one Business Day prior to the related Payment Date, then the Trustee will sell the Capital Securities to the Holders of Income Notes participating in the purchase and redeem the Senior Notes and Mezzanine Notes on that Payment Date. Each purchasing Holder of Income Notes will be entitled to purchase a *pro rata* portion of each Capital Security (determined on the basis of the principal amounts of the Income Notes owned by such purchasing Holders or such lesser portion of each Capital Security as may be indicated by such purchasing Holder). However, in order to be entitled to purchase a portion of any Capital Securities, each prospective purchasing Holder of an Income Note must be able to comply with any transfer restrictions or other requirements (including, but not limited to, any limitations on transfer under any applicable federal, state and other securities laws, minimum denomination requirements and, in some cases, the requirement that the transferee be an institutional investor) in the Underlying Instruments for the Capital Securities. See "Risk Factors—Risk Factors relating to the Notes and the Co-Issuers—9. *Limited Liquidity of the Capital Securities.*" No assurance can be given that a Holder of Income Notes who desires to purchase the Capital Securities will be able to comply with such restrictions and requirements. Any expenses incurred in proving such compliance in respect of a prospective purchaser will be borne by that purchaser. Only those Holders of Income Notes who notify the Trustee of their desire to participate in such purchase will be obligated to participate in such purchase. Each purchasing Holder of Income Notes must pay its own *pro rata* share of the purchase price and arrange their own financing for any such purchase.

Redemption Upon Auction Sale of Capital Securities

On the first business day of the calendar month immediately preceding each Payment Date on which any Senior Notes or Mezzanine Notes are outstanding (each, an "**Auction Date**"), commencing with the September 2016 Auction Date, the Trustee will solicit bids in an auction format for the purchase of all the outstanding Capital Securities. The Trustee will accept the highest bid submitted that is at least equal to the sum of (i) (x) the Aggregate Principal Amount of the Senior Notes and the Mezzanine Notes plus accrued and unpaid interest thereon to the next Payment Date less (y) the amount of any funds on deposit in the Collection Account, which may include the proceeds from the sale of the Reserve Account Strip if the auction occurs prior to the maturity date thereof, and (ii) any unpaid fees and expenses of the Co-Issuers (including without limitation any termination payments due with respect to the Hedge Agreements). The expenses of conducting an auction, whether or not successful, will be an Administrative Expense. If such a bid is received, the Trustee will sell the Capital Securities to the bidder and apply the sale proceeds, together with any amounts in the Collection Account and the Reserve Account, on the Payment Date immediately following such auction to (A) redeem the Senior Notes and Mezzanine Notes in full at a price equal to the aggregate principal amount of each such Note on the date of redemption, plus accrued and unpaid interest thereon to such date and (B) to pay all unpaid expenses of the Co-Issuers (including any termination payments due with respect to the Hedge Agreements). The remaining sale proceeds, if any, and any other assets of the Issuer, including, without limitation, any remaining funds on deposit in the Collection Account and the Reserve Account will be

distributed to the Holders of the Income Notes. In the event such auction does not result in a successful sale, the Trustee will repeat the auction prior to each succeeding Payment Date until an auction sale occurs. There can be no assurance that there will be any such proceeds available for distribution to the Holders of the Income Notes.

Redemption Upon Certain Payments in Accordance with the Priority of Payments

Interest Collections may be distributed to pay principal on the Senior Notes, the Class B Mezzanine Notes, the Class C Mezzanine Notes and the Class D Mezzanine Notes, to the extent and in the manner described in clauses (a)(x)(I) and (a)(xi)(B) of the Priority of Payments, and to pay principal on the FP Notes to the extent and in the manner described in clause (a)(x)(II) of the Priority of Payments. Also, Interest Collections may be applied to make Senior Coverage Prepayments, Class B Mezzanine Coverage Prepayments, Class C Mezzanine Coverage Prepayments or Class D Mezzanine Coverage Prepayments pursuant to clauses (a)(iii), (a)(v), (a)(vii) and (a)(ix), respectively, of the Priority of Payments.

Redemption Upon Disposition of a Capital Security Upon a Breach of a Representation or Warranty in an Underlying Instrument or Upon Disposition of a Capital Security in Default

If a breach of a representation or warranty in an Underlying Instrument for a Capital Security (or the related Affiliated HC Indenture, the related placement agreement or certain other related documents) occurs and materially adversely affects the Issuer as the holder of such Capital Security, then the Requisite Noteholders may direct the Trustee to exercise the Issuer's rights under those documents, which may include attempting to dispose of such Capital Security. The net proceeds, if any, will be applied in accordance with Priority of Payments. However, no such disposition shall be made unless the Trustee receives a confirmation from each Rating Agency that such disposition will not result in the reduction, withdrawal or negative qualification of any of its then current ratings for the Senior Notes or Mezzanine Notes. Similarly, the Trustee may dispose of a defaulted Capital Security at the direction of the Requisite Noteholders. See "The Indenture—Enforcement of Certain Obligations; Capital Securities in Default". The net proceeds, if any, from such a disposition would be applied in accordance with the Priority of Payments.

Redemption Upon Inability to Purchase Capital Securities

It is anticipated that five Capital Securities having an aggregate Principal Balance of U.S.$115,000,000 will be acquired by the Issuer after the Closing Date (the "**Delayed Settlement Capital Securities**"). In addition, if for any reason Capital Securities (not including any Delayed Settlement Capital Securities) having an aggregate principal balance not to exceed U.S.$210,000,000 cannot be purchased by the Issuer on or about the Closing Date (any such Capital Security, a "**Failed Settlement Capital Security**" and together with any Delayed Settlement Capital Securities, the "**Non-settled Capital Securities**"), then the Issuer will consummate the transactions contemplated herein to the extent that it can on the Closing Date and the Issuer will endeavor to purchase the Failed Settlement Capital Securities after the Closing Date. The Issuer will invest the portion of the proceeds of the offering of the Notes that is allocable to the purchase price for any Non-settled Capital Securities (the "**Non-settled Amount**") in Eligible Investments. If the Issuer is unable to purchase any Non-settled Capital Security, then it will seek to acquire one or more securities designated by either of the Placement Agents (a "**Replacement Capital Security**"); provided that (i) any portion of the Non-settled Amount relating to a Non-settled Capital Security that is a D-Capital Security may only be used to purchase a depository institution related capital security; (ii) any portion of the Non-settled Amount relating to a Non-settled Capital Security that is an I-Capital Security may be used to purchase a depository institution related capital security or an insurance related capital security and (iii) any portion of the Non-settled Amount relating to a Non-settled Capital Security that is a R-PreTS[sm] may be used to purchase a depository institution related capital security, an insurance related capital security or a real estate related capital security. Before purchasing any Replacement Capital Security, the Issuer will first obtain confirmation that such purchase will not cause S&P or Moody's (if the Moody's Replacement Condition is not satisfied in connection with such purchase) to reduce or qualify any of their ratings of the Notes. If such purchase or purchases are not made by the Payment Date in December, 2006, then the unused portion of the Non-settled Amount will be applied to

redeem each class of Notes (other than the Class A-X Notes and the FP Notes) *pro rata* on the basis of the outstanding principal amount of such class of Notes.

The "**Moody's Replacement Condition**" will be satisfied in connection with a purchase of a Replacement Capital Security if:

(i) the Moody's default probability rating of the Replacement Capital Security is no worse than the Moody's default probability rating of the related Non-settled Capital Security; and

(ii) the interest rate on the Replacement Capital Security is at least equal to the interest rate on the related Non-settled Capital Security.

Form, Denomination and Registration

Class A-X Notes, Senior Notes, Mezzanine Notes and Income Notes sold to U.S. Persons or in the United States may only be sold to persons who are "**qualified purchasers**" within the meaning of Section 2(a)(51) of the Investment Company Act and the rules thereunder.

Class A-X Notes, Senior Notes and Mezzanine Notes sold to persons who are also "**qualified institutional buyers**" (as defined under Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act (or, in the case of the initial sale of such Notes, in reliance on Section 4(2) of the Securities Act) will be represented by one or more permanent global notes, respectively, in definitive, fully registered form without interest coupons (each, a "**Rule 144A Global Note**"). Investors may hold their interests in the Rule 144A Global Notes directly through DTC if they are DTC Participants, or indirectly through organizations which are DTC Participants. The Rule 144A Global Notes will be deposited with the Trustee as custodian for DTC, and registered in the name of a nominee of DTC.

Mezzanine Notes initially sold to investors who are also institutional "accredited investors" (as defined under Rule 501(a)(1), (2), (3) or (7) under the Securities Act) in the United States and all Income Notes, except those sold in reliance on Regulation S, will be issued in the form of definitive physical certificates in fully registered form without coupons (each, a "**Certificated Note**").

Notes sold to non-U.S. Persons in offshore transactions in reliance on Regulation S will be initially represented by one or more temporary global notes, respectively, in definitive, fully registered form without coupons (the "**Temporary Regulation S Global Notes**"). The Temporary Regulation S Global Notes will be deposited with the Trustee as custodian for, and registered in the name of, a nominee of DTC for the respective accounts of the operator of the Euroclear system ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**" and, together with Euroclear, each a "**Clearance System**"). Beneficial interests in Temporary Regulation S Global Notes will be subject to certain restrictions on transfer prior to the Exchange Date as set forth in the Indenture and as described herein under "Transfer Restrictions".

On or after the first Business Day following the 40th day after the later of the Closing Date and the commencement of the offering of the Notes (the "**Exchange Date**"), interests in a Temporary Regulation S Global Note will be exchangeable for interests in one or more permanent global notes in definitive, fully registered form without coupons (the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes and the Temporary Regulation S Global Notes, the "**Global Notes**") upon certification that the beneficial interests in such Temporary Regulation S Global Note are owned by persons who are not U.S. Persons. On the exchange of a Temporary Regulation S Global Note for a Regulation S Global Note, the Regulation S Global Note will be deposited with the Trustee as custodian for, and registered in the name of, a nominee of DTC for the respective accounts of Euroclear and Clearstream.

Investors may hold their interests in a Regulation S Global Note directly through Euroclear or Clearstream, if they are Euroclear Participants or Clearstream Participants (each as defined below), as the case may be, or indirectly through organizations that are Euroclear Participants or Clearstream Participants. Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream at any

time. Beneficial interests in a Regulation S Global Note may not be held by a "**U.S. Person**" (as defined in Regulation S under the Securities Act) at any time. By its acquisition of a beneficial interest in a Regulation S Global Note, the purchaser thereof will be deemed to represent that it is not a U.S. Person and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest only to a person whom the seller reasonably believes to be a non-U.S. Person or, subject to compliance with the transfer restrictions and certification requirements in the Indenture, to a person who takes delivery in the form of an interest in a Rule 144A Global Note or an Income Note.

The registered owner of the relevant Global Note will be the only person entitled to receive payments in respect of the Class A-X Notes, Senior Notes or Mezzanine Notes represented by such Global Note. No person other than the registered owner of the relevant Global Note shall have any claim against the Co-Issuers in respect of any payment due on that Global Note. Account holders or participants in DTC, Euroclear and Clearstream shall have no rights under the Indenture with respect to such Global Notes held on their behalf by the Trustee, as custodian for DTC, and DTC may be treated by the Co-Issuers, the Trustee and any agent of the Co-Issuers or the Trustee as the Holder of such Global Notes for all purposes whatsoever. Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to have Notes registered in their names, will not receive or be entitled to receive definitive physical notes and will not be considered "**Holders**" of the Notes under the Indenture or the Notes. If DTC notifies the Trustee that it is unwilling or unable to continue as depository for the Global Notes or ceases to be a "**clearing agency**" (as defined in the Exchange Act) registered under the Exchange Act, and a successor depository is not appointed by the Co-Issuers within 90 days after receiving such notice, the Co-Issuers will issue or cause to be issued notes in the form of definitive physical certificates (each, a "**Physical Note**") in exchange for the applicable Global Notes to the beneficial owners of such Global Notes in the manner set forth in the Indenture. In the case of a transfer of a Physical Note, the holder of such Physical Note may surrender the Physical Note and obtain a new Physical Note at the office or agency maintained by the Co-Issuers for this purpose in New York, New York or at the office of any transfer agent.

All Income Notes, except those sold in reliance on Regulation S, will be issued in Certificated Form and may be sold only to "**qualified purchasers**" within the meaning of Section 2(a)(51) of the Investment Company Act and the rules thereunder who are also either qualified institutional buyers or accredited investors (as defined in Rule 501(a) of the Securities Act).

Certificated Notes will be subject to certain restrictions on transfer set forth in the Indenture and described herein and will bear legends regarding such restrictions. See "Transfer Restrictions". In connection with a transfer of Notes after the Exchange Date to a non-U.S. Person in an offshore transaction pursuant to Regulation S, Certificated Notes may be exchanged for interests in the Regulation S Global Note upon appropriate certification by the Holder and the proposed transferee in the manner provided in the Indenture. No Notes will be issued in bearer form. Interests in Global Notes (other than, under certain circumstances, the Regulation S Global Note representing Income Notes) may not be exchanged for interests in Certificated Notes.

No service charge will be made for any registration of transfer or exchange of Notes of any class, but the Co-Issuers or the Issuer, as the case may be, and the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Class A-X Notes, the Senior Notes and the Mezzanine Notes will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. The Income Notes will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1 in excess thereof. After issuance, (i) the principal amount of a Note may fail to be in compliance with the minimum denomination requirements stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments and (ii) the Mezzanine 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 Mezzanine Note Capitalized Interest.

Euroclear and Clearstream

Clearstream is incorporated under the laws of Luxembourg and is a global securities settlement clearing house. Clearstream holds securities for its participating organizations ("**Clearstream Participants**") and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Transactions may be settled in Clearstream in any of 28 currencies, including U.S. dollars. Clearstream provides to its Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities, and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream is regulated as a bank by the Luxembourg Monetary Institute. Clearstream Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a Clearstream Participant, either directly or indirectly. The address for Clearstream is Clearstream Banking, L-2967, Luxembourg.

Euroclear was created in 1968 to hold securities for participants of the Euroclear system ("**Euroclear Participants**") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need of physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in any of 27 currencies, including U.S. dollars. The Euroclear system includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the "**Euroclear Operator**"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts maintained with the Euroclear Operator. Euroclear Participants include banks (including central banks), securities brokers and dealers, and other professional financial intermediaries. Indirect access to the Euroclear system is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operator holds a banking license granted to it, and is regulated, by the Belgian Banking and Finance Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law (collectively, the "**Terms and Conditions**"). The Terms and Conditions govern transfers of securities and cash within the Euroclear system, withdrawal of securities and cash from the Euroclear system, and receipts of payments with respect to securities in the Euroclear system. All securities in the Euroclear system are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants and has no record of or relationship with persons holding through Euroclear Participants. The address for Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, Brussels B-1210, Belgium.

DTC

DTC has advised the Issuer that DTC is a limited-purpose trust company organized under the Banking Law of the State of New York, a member of the United States 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. DTC 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 DTC participant, either directly or indirectly.

The Co-Issuers will make applications to DTC for acceptance in its book-entry settlement system of the Class A-X Notes, Senior Notes and Mezzanine Notes represented by the Rule 144A Global Notes. Upon issuance of a Rule 144A Global Note, DTC or its custodian will credit, on its internal system, the principal amount of such Rule 144A Global Note to the accounts of persons who have accounts with DTC. Ownership of beneficial interests in Rule 144A Global Notes will be limited to persons who have accounts with DTC ("**DTC Participants**") or persons who hold interests through DTC Participants. Ownership of beneficial interests in a Rule 144A Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of participants (with respect to interests of persons other than DTC Participants).

Payments of the principal of, and interest on, each Rule 144A Global Note registered in the name of DTC or DTC's nominee, Cede, will be to or for the order of DTC or the nominee, as the case may be, as the registered owner of such Rule 144A Global Note. The Co-Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Rule 144A Global Note held by DTC or its nominee, will immediately credit the relevant DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interest in such Rule 144A Global Note as shown on the records of DTC or its nominee. The Co-Issuers also expect that payments by DTC Participants to owners of beneficial interests in such Rule 144A Global Note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants. None of the Co-Issuers, the Trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in Rule 144A Global Notes or for maintaining, supervising or reviewing any records relating to such ownership interests.

Transfers between the DTC Participants will be effected in the ordinary way in accordance with DTC rules and will be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to Notes and under "Transfer Restrictions", cross-market transfers between DTC, on the one hand, and, directly or indirectly through Euroclear or Clearstream, or their respective participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by the Common Depositary; however, these cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to the Common Depositary to take action to effect final settlement on its behalf by delivering or receiving interest in a Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for immediately available funds settlement applicable to DTC. Clearstream Participants and Euroclear Participants may not deliver instructions directly to the Common Depositary.

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

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Notes and in the Rule 144A Global Notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures, and the procedures may be discontinued at any time. Neither the Co-Issuers nor the Trustee will have any responsibility for the performance by DTC, Clearstream, Euroclear or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Rule 144A Global Notes for exchange) only at the direction of a DTC Participant to whose account with DTC interests in the relevant Rule 144A Global Note are credited and only in respect of such portion of the Aggregate Principal Amount of the Notes as to which such DTC Participant has given such direction.

DESCRIPTION OF THE CAPITAL SECURITIES

The Notes will be secured by the Trust Estate, which will generally consist of, among other things, all money, instruments and other property and rights subject to the lien of the Indenture, including the Capital Securities, the benefit of the Guarantees, the amounts on deposit in the Reserve Account, the Reserve Account Strip, the Hedge Agreements, the Eligible Investments and the Collateral Accounts. The Trust Estate will exclude the proceeds from the Issuer's issuance of its Ordinary Shares, any bank account of the Issuer in which such proceeds are held, the amount of any transaction fees paid to the Issuer in connection with the issuance of the Notes and the rights of the Issuer under the administration agreement with the Administrator.

The Placement Agents have acted or are acting as placement agents in connection with all of the PreTS[sm], the Subordinated Debentures, the I-PreTS[sm], the I-DS, the Surplus Notes and the R-PreTS[sm] and have earned or are earning a fee, commission or other consideration in connection with such transactions.

49 PreTS[sm] having an initial aggregate Principal Balance of U.S.$466,450,000 (the **"PreTSL III PreTS[sm]"**) were originally issued on or about July 31, 2001, at which time they were purchased by Preferred Term Securities III, Ltd. ("**PreTSL III**"), a special purpose securitization issuer. One of the Placement Agents, FTN Financial Capital Markets, a division of First Tennessee Bank National Association, acquired the PreTSL III PreTS[sm] on August 7, 2006 in connection with the optional redemption of the securities issued by PreTSL III with the intention of selling them to the Issuer and the PreTSL III PreTS[sm] will be sold to the Issuer on or about the Closing Date. U.S.$84,000,000 principal amount of the PreTSL III PreTS[sm] (the "**Restructured PreTSL III PreTS[sm]**") were subsequently restructured to, among other things, extend the Redemption restrictions to 2011. The PreTSL III PreTS[sm] that are not Restructured PreTSL III PreTS[sm] (the "**Unmodified PreTSL III PreTS[sm]**") are currently redeemable at the option of the related Affiliated Depository Institution HC on any related Capital Security Payment Date, subject to the payment of a premium as described under "Description of the D-Capital Securities Documents—Redemption and Prepayments of the D-Capital Securities".

The SMS were or will be purchased by the Placement Agents or one or more of their affiliates in the secondary market with the intention of selling them to the Issuer and will be sold to the Issuer. In addition to the PreTSL III PreTS[sm], 31 PreTS[sm] having an initial aggregate Principal Balance of U.S.$343,550,000, five Subordinated Debentures having an initial aggregate Principal Balance of U.S.$46,000,000, one I-PreTS[sm] having an initial aggregate Principal Balance of U.S.$30,000,000 and two R-PreTS[sm] having an initial aggregate Principal Balance of U.S.$50,000,000 were issued prior to the Closing Date with the intention on the part of the Placement Agents of including such PreTS[sm], Subordinated Debentures, I-PreTS[sm] and R-PreTS[sm] in a securitization vehicle and will be purchased by the Issuer from the Placement Agents or their affiliates.

A Placement Agent or any of its affiliates may, but is not obliged to, advise the Issuer or any Corresponding Debenture Issuer in respect of restructuring, redemption or working out any of such Corresponding Debenture Issuer's debt obligations, including without limitation its Corresponding Debentures. A Placement Agent or any of its affiliates may also provide similar services to the Subordinated Debenture Issuer, the I-DS Issuers and their respective affiliates in respect of their securities (including without limitation their Capital Securities) and their operations.

On or about the Closing Date, the Issuer expects to acquire, subject to the discussion under "Use of Proceeds", U.S.$1,467,000,000 in aggregate Principal Balance of Capital Securities comprising:

(i) 108 capital securities (the "**PreTS[sm]**") issued or to be issued by wholly-owned trust subsidiaries (each, a "**PreTS[sm] Issuer**") of 107 depository institution holding companies on or about the Closing Date (including 80 PreTS[sm] issued to the Placement Agents or their designees prior to the Closing Date);

(ii) six subordinated debentures (the "**Subordinated Debentures**") issued by five depository institutions and one depository institution holding company (each such issuer, a "**Subordinated Debenture Issuer**") on or about the Closing Date (including five Subordinated Debentures issued to the Placement Agents or their designees prior to the Closing Date);

(iii) seven capital securities (the "**Trust Preferred Depository Institution Secondary Market Securities**" or "**Trust Preferred D-SMS**") already issued by wholly-owned trust subsidiaries of depository institution holding companies (each, a "**Trust Preferred D-SMS Issuer**"), which are to be acquired by a Placement Agent or its affiliate in the secondary market on or about the Closing Date and sold to the Issuer;

(iv) two capital securities (the "**I-PreTS[sm]**") issued or to be issued by wholly-owned trust subsidiaries (each, an "**I-PreTS[sm] Issuer**") of insurance holding companies on or about the Closing Date (including one I-PreTS[sm] issued to the Placement Agents or their designees prior to the Closing Date);

(v) three debt securities (the "**Insurance Debt Securities**" or "**I-DS**") issued or to be issued by insurance holding companies (each, an "**I-DS Issuer**") on or about the Closing Date;

(vi) two surplus notes (the "**Surplus Notes**") issued or to be issued by issued or to be issued by insurance companies (each, a "**Surplus Note Issuer**") on or about the Closing Date;

(vii) five capital securities (the "**Insurance Secondary Market Securities**" or "**I-SMS**") issued by one insurance company and four insurance holding companies (each, an "**I-SMS Issuer**"), which are to be acquired by a Placement Agent or its affiliate in the secondary market on or about the Closing Date and sold to the Issuer; and

(viii) three capital securities (the "**R-PreTS[sm]**") issued or to be issued by wholly-owned trust subsidiaries of two real estate investment trusts (each, an "**R-PreTS[sm] Issuer**") on or about the Closing Date (including two R-PreTS[sm] issued to the Placement Agents or their designees prior to the Closing Date).

The PreTS[sm], the Subordinated Debentures and the Trust Preferred D-SMS are collectively referred to as the "**D-Capital Securities**" and the issuers thereof are referred to as the "**D-Capital Securities Issuers**". The I-PreTS[sm], the I-DS, the Surplus Notes and the I-SMS are collectively referred to as the "**I-Capital Securities**" and the issuers thereof are referred to as "**I-Capital Securities Issuers**". The D-Capital Securities, the I-Capital Securities and the R-PreTS[sm] are collectively referred to as the "**Capital Securities**" and the

D-Capital Securities Issuers, the I-Capital Securities Issuers and the R-PreTS[sm] Issuers are referred to collectively as the "**Capital Securities Issuers**". If any Corresponding Debentures are exchanged for the related Trust Preferred Capital Securities, such Corresponding Debentures will be treated as Capital Securities.

The I-SMS issued by an insurance company is referred to as the "**Surplus Note I-SMS**" and the issuer of such I-SMS is referred to as the "**Surplus Note I-SMS Issuer**".

Each depository institution holding company in respect of a PreTS[sm] Issuer or a Trust Preferred D-SMS Issuer is referred to herein as an "**Affiliated Depository Institution HC**". Each insurance holding company in respect of an I-PreTS[sm] Issuer is referred to herein as an "**Affiliated Insurance HC**". The Affiliated Depository Institution HCs and the Affiliated Insurance HCs are referred to collectively as the "**Affiliated HCs**". Each real estate investment trust in respect of a R-PreTS[sm] Issuer is referred to herein as a "**REIT Corresponding Debenture Issuer**". The Affiliated HCs and the REIT Corresponding Debenture Issuers are referred to collectively as the "**Corresponding Debenture Issuers**."

The PreTS[sm], the I-PreTS[sm], the R-PreTS[sm] and the Trust Preferred D-SMS are collectively referred to as the "**Trust Preferred Capital Securities**".

The "**Capital Securities Calculation Agent**" for determining LIBOR on all of the PreTS[sm] other than the PreTSL III PreTS[sm], the Subordinated Debentures, the I-PreTS[sm], the Surplus Notes and the R-PreTS[sm] will initially be Wilmington Trust Company ("**Wilmington Trust**")**,** which is also the trustee of each such Capital Securities Issuer and is the indenture trustee under the indentures for the Corresponding Debentures related to such PreTS[sm], the I-PreTS[sm] and the R-PreTS[sm].

The net proceeds of the sale of the Notes will be used by the Issuer to, among other things, purchase the Capital Securities on or about the Closing Date. Only interest and distributions accruing on the Capital Securities from and after the Closing Date will be included in the assets of the Issuer. Interest and distributions that accrued on the Capital Securities prior to the Closing Date will be retained by the seller of those Capital Securities.

Portfolio Criteria—D-Capital Securities

Each D-Capital Security that is not a PreTSL III PreTS[sm], when acquired by the Issuer and pledged to the Trustee on or about the Closing Date, must have been issued by a D-Capital Securities Issuer whose Affiliated Depository Institution HC (or in the case of each Subordinated Debenture, the related Subordinated Debenture Issuer) generally meets the following criteria:

(A) it has, following the issuance of the D-Capital Securities, total assets of at least U.S.$50,000,000;

(B) it is the holding company of one or more depository institutions whose deposits (or, if it is a depository institution, its deposits) are generally insured, up to the legal limits, by the Deposit Insurance Fund administered by the FDIC; and

(C) it has been statistically reviewed and has been determined, as a result of such review, to have either (i) a Moody's rating factor of not more than 610 (which represents a default probability equivalent to a Moody's rating of Baa3; however, a default probability should not be viewed as a Moody's rating, which is based on expected loss and which would also incorporate expected recovery rates in the event of default) or (ii) a raw Fitch bank score of not more than 3.5. The Fitch scoring system includes scores from 1 to 5 in 0.5 increments. A score of 1.0 denotes "exceptionally strong financial performance with no material negative trends" and a score of 5.0 denotes "serious problems in financial performance, viability may be in question". A

score of 3.0 denotes "average performance, likely to be some areas of concern balanced by strong features."

The PreTSL III PreTS[sm] are not required to meet such criteria or any other criteria.

The D-Capital Securities will be denominated in U.S. dollars and in the aggregate will comply with the following guidelines on the Closing Date:

(i) the Principal Balance of any D-Capital Security issued by any one D-Capital Security Issuer will not account for more than 5.00% of the aggregate Principal Balance of all the Capital Securities on the Closing Date (assuming all of the Capital Securities are acquired on the Closing Date);

(ii) the D-Capital Securities in the aggregate will have a weighted average Moody's rating factor of not more than 480 (which represents a default probability equivalent to a Moody's weighted average rating of between Baa2 and Baa3; however, a default probability should not be viewed as a Moody's rating, which is based on expected loss and which would also incorporate expected recovery rates in the event of default);

(iii) the D-Capital Securities in the aggregate will have a weighted average raw Fitch bank score of not more than 3.0; and

(iv) each D-Capital Security has been reviewed by S&P and, as of the Closing Date, the inclusion of the related D-Capital Security in the Issuer's assets will not have an adverse effect upon S&P's initial rating of the Senior Notes.

After the Closing Date, neither the Issuer, any D-Capital Security Issuer, any Affiliated HC nor any other person is obligated to maintain compliance with the criteria or guidelines described under this heading.

As of the Closing Date (and after giving effect to the Capital Securities to be purchased after the Closing Date), the Affiliated Depository Institution HCs of all the PreTS[sm] Issuers, the Subordinated Debenture Issuers and Trust Preferred D-SMS Issuers (or, in the case of the Trust Preferred D-SMS, the related Affiliated Depository Institution HCs) will have the following geographical distribution (by Geographical Region as described below) expressed by reference to the Principal Balance of the Capital Securities:

Geographical Distribution

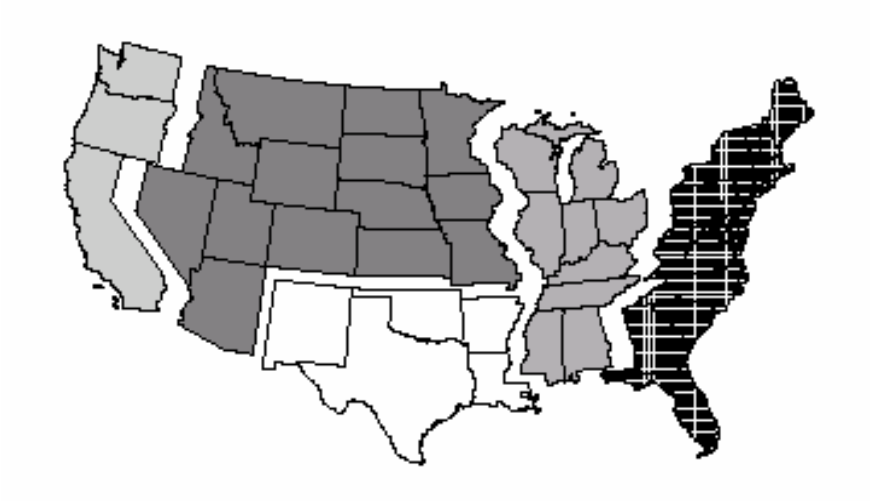
Geographical Region	# of Issuers	Aggregate Principal Amount ($)	Approximate Percentage of all Capital Securities (%)
1	33	382,950,000	26.10
2	24	221,000,000	15.06
3	32	211,400,000	14.41
4	22	188,450,000	12.85
5	10	125,500,000	8.55

Several studies have demonstrated the existence of strong regional influences in the United States economy. Between 1980 and 1996, the bank default rates in each of the first five geographical regions described below (each, a "**Geographical Region**") peaked at different times, suggesting that the elevated level of bank defaults in each Geographical Region was a function of different underlying causes.

Map of Geographical Regions

The five Geographical Regions and the states or territories included therein are set forth in the following table and illustrated in the map below.

Region 1	Region 2	Region 3	Region 4	Region 5
Connecticut	Alabama	Arizona	Arkansas	Alaska
Delaware	Illinois	Colorado	Louisiana	California
Florida	Indiana	Idaho	New Mexico	Hawaii
Georgia	Kentucky	Iowa	Oklahoma	Oregon
Maine	Michigan	Kansas	Texas	Washington
Maryland	Mississippi	Minnesota		
Massachusetts	Ohio	Missouri		
New Hampshire	Tennessee	Montana		
New Jersey	Wisconsin	Nebraska		
New York		Nevada		
North Carolina		North Dakota		
Pennsylvania		South Dakota		
Rhode Island		Utah		
South Carolina		Wyoming		
Vermont				
Virginia				
Washington, D.C.				
West Virginia				



Portfolio Criteria—I-Capital Securities

When each I-Capital Security is acquired by the Issuer and pledged to the Trustee on or about the Closing Date, its Affiliated Insurance HC, in the case of each I-PreTS[sm], or its I-Capital Securities Issuer, in the case of each Surplus Note, I-DS and I-SMS, must generally meet the following criteria:

(i) (x) it owns one or more life insurance companies, health insurance companies, property and casualty insurance companies or reinsurers that are stock insurance companies or (y) it is one of those types of insurance companies;

(ii) it or the insurance company subsidiaries of such entity in the aggregate have statutory policyholders' surplus in excess of $10,000,000 (or the equivalent) as of the most recent fiscal period for the most recent reports available;

(iii) if it or its principal insurance company affiliate has a financial strength rating from A.M. Best Company, Inc. ("**A. M. Best**"), either (x) the financial strength rating of such entity from A.M. Best is not less than "B++" or (y) such entity satisfies at least one of the following three criteria: (1) it has been reviewed by Fitch and assigned a raw Fitch score (described above under "—Portfolio Criteria—D-Capital Securities") of not more than 3.5; (2) it has been reviewed by S&P and assigned a credit estimate of not less than "BBB-"; and (3) it has been statistically reviewed by Moody's and assigned a rating factor of not more than 610 (which represents a default probability equivalent to a Moody's rating of Baa3; however, a default probability should not be viewed as a Moody's rating, which is based on expected loss and which would also incorporate expected recovery rates in the event of default);

(iv) it either (x) has a financial strength rating of at least "BBB-" from S&P or (y) has been reviewed by S&P and assigned a credit estimate by S&P and, as of the Closing Date, the inclusion of the related I-Capital Security in the Issuer's assets will not cause the aggregate financial strength rating of all I-Capital Securities Issuers on or about the Closing Date to be lower than "BBB-" by S&P;

(v) it either (x) has a financial strength rating from Fitch that is at least investment grade or (y) has been reviewed by Fitch and assigned a credit estimate by Fitch and, as of the Closing Date, the inclusion of the related I-Capital Security in the Issuer's assets will not have an adverse effect upon Fitch's initial rating of the Senior Notes and the Mezzanine Notes; and

(vi) it has been reviewed by Moody's and, as of the Closing Date, the inclusion of the related I-Capital Security in the Issuer's assets will not have an adverse effect upon Moody's initial rating of the Senior Notes or the Mezzanine Notes.

The Principal Balance of any I-Capital Security issued by any one I-Capital Security Issuer will not account for more than 4.0% of the aggregate Principal Balance of all the Capital Securities on the Closing Date (assuming all Capital Securities are acquired on the Closing Date).

After the Closing Date, neither the Issuer, any I-Capital Security Issuer, any Affiliated Insurance HC nor any other person is obligated to maintain compliance with the criteria or guidelines described under this heading.

Portfolio Criteria—R-PreTS[sm]

Each R-PreTS[sm], when acquired by the Issuer and pledged to the Trustee on or about the Closing Date, must have been issued by a R-PreTS[sm] Issuer whose Corresponding Debenture Issuer generally meets the following criteria:

(i) it is a real estate investment trust, as defined under Section 856 of the Internal Revenue Code;

(ii) it has capital in excess of U.S.$200,000,000 as of the most recent fiscal period for the most recent reports available;

(iii) it has been reviewed by S&P and, as of the Closing Date, the inclusion of the related R-PreTS[sm] in the Issuer's assets will not have an adverse effect upon S&P's initial rating of the Senior Notes;

(iv) it either (x) has a financial strength rating from Fitch that is at least investment grade or (y) has been reviewed by Fitch and assigned a credit estimate by Fitch and, as of the Closing Date,

the inclusion of such R-PreTS[sm] in the Issuer's assets will not have an adverse effect upon Fitch's initial rating of the Senior Notes or the Mezzanine Notes; and

(v) it has been reviewed by Moody's and, as of the Closing Date, the inclusion of such R-PreTS[sm] in the Issuer's assets will not have an adverse effect upon Moody's initial rating of the Senior Notes or the Mezzanine Notes.

The aggregate Principal Balance of any R-PreTS[sm] issued by any one R-PreTS[sm] Issuer will not account for more than 4.0% of the aggregate Principal Balance of all the Capital Securities on the Closing Date (assuming all Capital Securities are acquired on the Closing Date).

After the Closing Date, neither the Issuer, any R-PreTS[sm] Issuer, any REIT Corresponding Debenture Issuer nor any other person is obligated to maintain compliance with the criteria or guidelines described under this heading.

DESCRIPTION OF THE D-CAPITAL SECURITIES DOCUMENTS

Terms of the D-Capital Securities

Terms of the PreTS[sm]

The PreTS[sm] issued by each PreTS[sm] Issuer has been or will be issued pursuant to the terms of an Amended and Restated Declaration of Trust (in respect of such PreTS[sm] Issuer, the "**Declaration**"). Wilmington Trust Company, will act as trustee under the Declarations relating to all of the PreTS[sm] other than the PreTSL III PreTS[sm]. U.S. Bank National Association ("**U.S. Bank**") will act as trustee under the Declarations relating to the PreTSL III PreTS[sm]. The trustee of a PreTS[sm] Issuer is referred to as the "**Institutional Trustee**" in respect of such PreTS[sm] Issuer. Each PreTSL III PreTS[sm] Issuer has been organized as a statutory trust under the laws of the State of Connecticut and each other PreTS[sm] Issuer has been or will be organized as a statutory trust under the laws of the State of Delaware. The parent Affiliated Depository Institution HC of each PreTS[sm] Issuer will own all of the beneficial interests represented by common securities of such PreTS[sm] Issuer (the "**Common Securities**" of such PreTS[sm] Issuer and, together with the related PreTS[sm], the "**PreTS[sm] Issuer Securities**"). The PreTS[sm] and Common Securities issued by a PreTS[sm] Issuer evidence the *pro rata* beneficial ownership interest in the Corresponding Debentures owned by such PreTS[sm] Issuer.

The summary of the material terms and provisions of the PreTS[sm] contained in this Offering Circular does not purport to be complete and is subject to and qualified in its entirety by reference to the respective Declarations and Corresponding Debentures. Copies of the form of Declaration and the form of Corresponding Debenture in respect of the PreTS[sm] may be obtained by Holders of the Notes upon request in writing to the Institutional Trustee at its Corporate Trust Office and by prospective purchasers of Notes from the Placement Agents.

Each PreTS[sm] Issuer will use or has used the proceeds from its sale of its PreTS[sm] to purchase the junior subordinated deferrable interest debentures issued by its parent Affiliated Depository Institution HC (in respect of such PreTS[sm] Issuer, the "**Corresponding Debentures**"). Each PreTS[sm] Issuer's only source of cash to make distributions on its PreTS[sm] will be the share of payments it receives from its parent Affiliated Depository Institution HC on its Corresponding Debentures that is allocable to the PreTS[sm]. Payments on the PreTS[sm] issued by each PreTS[sm] Issuer will be guaranteed to the extent described herein by its parent Affiliated Depository Institution HC (in respect of such PreTS[sm] Issuer, the "**PreTS[sm] Guarantee**"). The PreTS[sm] will be issued in definitive form, will be denominated in a Liquidation Amount that will be equal to approximately 97% of the principal amount of the Corresponding Debentures and will only receive payments on a *pro rata* basis in respect of Corresponding Debentures with an initial principal balance equal to such Liquidation Amount.

Terms of the Subordinated Debentures

The Subordinated Debentures issued by the Subordinated Debenture Issuers were issued or will be issued pursuant to the terms of an indenture (each a "**Subordinated Debenture Indenture**"). Wilmington Trust will act as trustee under the Subordinated Debenture Indentures. The Subordinated Debentures were issued or will be issued in definitive form.

Terms of the Trust Preferred D-SMS

The Issuer will purchase the Trust Preferred D-SMS in the secondary market from a Placement Agent or one of its affiliates. Consequently, each Trust Preferred D-SMS was originated under documentation that may differ from the documentation for the PreTS[sm] and the Subordinated Debentures and the terms of the Trust Preferred D-SMS may differ in various respects, in some cases materially, from the terms of the PreTS[sm] and the Subordinated Debentures. Only the major structural terms of the Trust Preferred D-SMS are set forth below. To the extent the Issuer possesses documentation for the Trust Preferred D-SMS, the Issuer will make the documentation available to prospective purchasers upon written request.

All of the Trust Preferred D-SMS Issuers are Delaware statutory trusts. The trustee for four of the Trust Preferred D-SMS Issuers is Wilmington Trust, for two of the Trust Preferred D-SMS Issuers is Wells Fargo Bank, National Association and for one of the Trust Preferred D-SMS Issuers is LaSalle Bank National Association.

Distributions on the D-Capital Securities

Annex D-1 and Annex D-2 hereto contain a summary of the payment terms and relevant dates of the PreTS[sm] and the other D-Capital Securities. The remainder of this section must be read in conjunction with Annex D-1 and Annex D-2 hereto.

Distributions on the PreTS[sm]

Distributions on the PreTS[sm] will be payable quarterly in arrears on the Capital Security Payment Dates set forth in Annex D-1 and Annex D-2 hereto, or if any such day is not a Business Day, the next succeeding Business Day.

As used herein, "**Floating PreTS[sm]**" means the PreTS[sm] on which distributions will accrue and be payable at a per annum rate equal to LIBOR (as determined by the Calculation Agent) for the related quarterly period plus a certain margin (specified in Annex D-1 and Annex D-2). The per annum rate on certain Floating PreTS[sm] will not exceed a certain rate specified in Annex D-2 during each quarterly period occurring through and including the quarterly period ending on the fifth anniversary of the issuance of such Floating PreTS[sm].

As used herein, "**Fixed/Floating PreTS[sm]**" means the PreTS[sm] on which distributions will accrue and be payable (i) during their respective Capital Securities Fixed Rate Periods, at the fixed rate of interest (specified in Annex D-1), and (ii) after their respective Capital Securities Fixed Rate Periods, at LIBOR for the related quarterly period plus a margin (specified in Annex D-1) for each such Fixed/Floating PreTS[sm].

As used herein, "**Hybrid PreTS[sm]**" means the PreTS[sm] on which distributions will accrue and be payable (i) during their respective Capital Securities Fixed Rate Periods, at a rate of interest containing the fixed and floating rate components (specified in Annex D-1), and (ii) after their respective Capital Securities Fixed Rate Period, at LIBOR for the related quarterly period plus a margin (specified in Annex D-1) for each such Hybrid PreTS[sm].

While the Capital Security Payment Dates vary among the various issuers of Capital Securities, interest on a majority of the Capital Securities will accrue and be payable on March 15, June 15, September 15 and December 15 of each year, or, if any such day is not a Business Day, then on the next succeeding Business

Day (each such date, an "**Index Capital Security Payment Date**") beginning on the Index Capital Security Payment Date in December, 2006.

Distributions on the PreTS[sm] that are in arrears for more than one quarterly period will bear interest, compounded quarterly if not timely paid (to the extent lawful), at the applicable rate. With respect to PreTS[sm] that bear interest at a floating rate, LIBOR for each quarterly period beginning after the Closing Date will be calculated on the related determination date, which determination date will be two London Banking Days prior to the first day of such quarterly period. Distributions on the PreTS[sm] will be payable only to the extent that payments are made in respect of the Corresponding Debentures and to the extent the PreTS[sm] Issuer has funds available therefor. Except during each respective Capital Securities Fixed Rate Period for the Fixed/Floating PreTS[sm], the amount of distributions payable for any period will be computed on the basis of the actual number of days in the related period and a 360-day year. With respect to each respective Capital Securities Fixed Rate Period for the Fixed/Floating PreTS[sm], the amount of distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months.

Each Affiliated Depository Institution HC has 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 during the term of such Corresponding Debentures, for up to 20 consecutive quarterly periods (each, an "**Extension Period**"); *provided* that no Extension Period may extend beyond the maturity date of the related PreTS[sm] issued by its subsidiary PreTS[sm] Issuer. During any Extension Period, interest will continue to accrue on the Corresponding Debentures at the applicable rate as calculated in the preceding paragraph, compounded quarterly, from the date such deferred interest would have been payable were it not for the Extension Period, both to the extent permitted by law. Interest that is accrued and unpaid on any PreTS[sm] or the Corresponding Debentures, and interest thereon as described above, is referred to as "**Deferred Interest**". At the end of any such Extension Period, such Affiliated Depository Institution HC will be required to pay to the applicable PreTS[sm] Issuer, and such PreTS[sm] Issuer will be required to pay to the Issuer, to the extent allocable to the PreTS[sm], all interest then accrued and unpaid on the Corresponding Debentures (including Deferred Interest). The Holders of the Income Notes, in their sole discretion, may purchase any PreTS[sm] that is a Defaulted Security in the manner and subject to the limitations described under "Description of the Notes—Redemption and Prepayments—*Redemption upon Default or Extension of Capital Securities*".

Prior to the termination of any Extension Period, an Affiliated Depository Institution HC in respect of a PreTS[sm] Issuer may further extend such period, *provided* that such period together with all such previous and further consecutive extensions thereof may not exceed 20 consecutive quarterly Extension Periods, or extend beyond the maturity date of the Corresponding Debentures. Upon the termination of any Extension Period and upon the payment of all accrued and unpaid interest (including Deferred Interest), an Affiliated Depository Institution HC may commence a new Extension Period, subject to the foregoing requirements.

During any Extension Period, the applicable Affiliated Depository Institution HC will not, except in certain limited circumstances, (i) 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 or (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any of its debt securities that rank *pari passu* in all respects with or junior in interest to the related Corresponding Debentures.

During an Extension Period on any Corresponding Debentures, the PreTS[sm] Issuer holding such Corresponding Debentures will similarly defer distributions on its PreTS[sm]. If distributions on any PreTS[sm] are deferred as a result of an Extension Period, the distributions due will be payable on the date on which the related Extension Period terminates.

Payments on the Subordinated Debentures

The Capital Security Payment Dates in respect of the Subordinated Debentures are set forth in Annex D-1 hereto. As used herein, "**Floating Subordinated Debenture**" means the Subordinated Debentures on

which interest payments accrue and are payable at a per annum rate equal to LIBOR (as determined by the Calculation Agent) for the related quarterly period plus the margin specified in Annex D-1. As used herein, "**Fixed/Floating Subordinated Debenture**" means the Subordinated Debentures on which interest payments will accrue and be payable (i) during their respective Capital Securities Fixed Rate Period, at the fixed rate of interest specified in Annex D-1 and (ii) after their respective Capital Securities Fixed Rate Period, at LIBOR for the related quarterly period plus the margin (specified in Annex D-1) for the Fixed/Floating Subordinated Debenture. LIBOR for each quarterly period beginning after the Closing Date will be calculated on the related determination date, which determination date will be two London Banking Days prior to the first day of such quarterly period. The amount of payments for any period on a Floating Subordinated Debenture and for any period following the Capital Securities Fixed Rate Period on the Fixed/Floating Subordinated Debenture will be computed on the basis of the actual number of days in the related quarterly accrual period and a 360-day year. The amount of distributions payable for any Capital Securities Fixed Rate Period in respect of a Fixed/Floating Subordinated Debenture will be computed on the basis of a 360-day year of twelve 30 day months. Interest payments on the Subordinated Debentures may not be deferred.

Payments and Distributions on the Trust Preferred D-SMS

Payments and distributions on the Trust Preferred D-SMS are payable as shown in Annex D-1. Each Affiliated Depository Institution HC of a Trust Preferred D-SMS Issuer may defer payments of interest on its Corresponding Debentures for up to 20 consecutive quarterly periods (or the equivalent thereof) on terms similar to those described above for an Affiliated Depository Institution HC of a PreTS[sm] Issuer.

Redemption and Prepayments of the D-Capital Securities

Each PreTS[sm] Issuer and each Trust Preferred D-SMS Issuer will redeem its respective PreTS[sm] or Trust Preferred D-SMS when the Corresponding Debentures held by it are paid at maturity or upon earlier redemption of such Corresponding Debentures. The Issuer will receive the *pro rata* share of such payments on the Corresponding Debentures that are allocable to such PreTS[sm] or Trust Preferred D-SMS, as applicable. The parent Affiliated Depository Institution HC of such PreTS[sm] Issuer or Trust Preferred D-SMS Issuer will receive the *pro rata* share of such payments on such Corresponding Debentures allocable to the Common Securities of such PreTS[sm] Issuer or Trust Preferred D-SMS Issuer.

The Corresponding Debentures may be redeemed by the issuing Affiliated Depository Institution HC, in whole or in part, on any of its respective Capital Security Payment Dates occurring on or after the related First Call Date, at the Optional Redemption Price. The First Call Date for the Unmodified PreTSL III PreTS[sm] occurred on July 31, 2006. In addition, the Corresponding Debentures may be redeemed by the issuing Affiliated Depository Institution HC at the Special Redemption Price, in whole but not in part, at any time, upon the occurrence and continuation of a Tax Event, an Investment Company Event or a Capital Treatment Event (each, a "**Special Event**") with respect to the PreTS[sm] and the Trust Preferred D-SMS, on any Capital Security Payment Date not more than 120 days following the occurrence of the applicable Special Event (the "**Special Redemption Date**"), upon not less than 30 nor more than 60 days' notice, so long as the Special Event is continuing. In all cases, the right of an Affiliated Depository Institution HC to redeem its Corresponding Debentures is subject to receipt of prior approval of the Applicable Regulator, if then required under applicable capital guidelines or policies of the Applicable Regulator.

Upon the maturity or redemption in whole or in part of the Corresponding Debentures of any Affiliated Depository Institution HC (other than following the distribution of such Corresponding Debentures to holders of the related PreTS[sm] or Trust Preferred D-SMS), the proceeds from such repayment or payment received by any PreTS[sm] Issuer or Trust Preferred D-SMS Issuer that are allocable to its PreTS[sm] or Trust Preferred D-SMS shall concurrently be applied to redeem, at the applicable Redemption Price, its PreTS[sm] or its Trust Preferred D-SMS having an aggregate Principal Balance equal to the portion of the aggregate principal amount of the Corresponding Debentures so repaid or redeemed that is allocable to such PreTS[sm] or Trust Preferred D-SMS.

"**Tax Event**" means, (a) with respect to a PreTS[sm], the receipt by an Affiliated Depository Institution HC and its subsidiary PreTS[sm] 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, field service advice, regulatory procedure, notice or announcement, including any notice or announcement of intent to adopt such procedures or regulations) (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 Affiliated Depository Institution HC or such PreTS[sm] 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 Corresponding Debentures, there is more than an insubstantial risk that: (i) such PreTS[sm] Issuer is, or will be within 90 days of the date of such opinion, subject to U.S. federal income tax with respect to income received or accrued on the Corresponding Debentures; (ii) interest payable by the Affiliated Depository Institution HC on its Corresponding Debentures is not, or within 90 days of the date of such opinion will not be, deductible by the Affiliated Depository Institution HC, in whole or in part, for U.S. federal income tax purposes; or (iii) such PreTS[sm] Issuer is, or will be within 90 days of the date of such opinion, subject to more than a *de minimis* amount of other taxes, duties or other governmental charges; and

(b) with respect to a Trust Preferred D-SMS, the event described in the related Trust Preferred D-SMS documents (which event includes terms similar to those described in clause (a) with respect to the PreTS[sm]) upon the occurrence of which such Trust Preferred D-SMS may be redeemed prior to its redemption date, on the basis that (i) the related Trust Preferred D-SMS Issuer is or will be subject to U.S. federal income tax with respect to income received or accrued on the related Corresponding Debentures, (ii) interest payable by such Affiliated Depository Institution HC on its Corresponding Debentures is not, or will not be, deductible by such Affiliated Depository Institution HC, in whole or in part, for U.S. federal income tax purposes, or (iii) such Trust Preferred D-SMS Issuer is or will be subject to more than a *de minimis* amount of other taxes, duties or other governmental charges.

"**Investment Company Event**" means, (a) with respect to a PreTS[sm], the receipt by the related PreTS[sm] Issuer and the related Affiliated Depository Institution HC of an opinion of counsel experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or written change (including any announced prospective 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 PreTS[sm] Issuer is or, within 90 days of such opinion, will be considered an "investment company" that is required to be registered under the Investment Company Act, which change or prospective change becomes effective or would become effective, as the case may be, on or after the date of the issuance of the Corresponding Debentures; and

(b) with respect to a Trust Preferred D-SMS, the event described in the related Trust Preferred D-SMS documents (which event includes terms similar to those described in clause (a) with respect to the PreTS[sm]) upon the occurrence of which the Trust Preferred D-SMS may be redeemed prior to its redemption date, on the basis that the related Trust Preferred D-SMS Issuer is or will be considered an "investment company" that is required to be registered under the Investment Company Act.

"**Capital Treatment Event**" means, (a) with respect to an Unmodified PreTSL III PreTS[sm], the receipt by an Affiliated Depository Institution HC of an opinion of counsel experienced in such matters that, as a result of the occurrence of any amendment to, or change (including any announced prospective change) in, the laws of the United States or any political subdivision thereof or therein, or as the result of any official or administrative pronouncement or action or decision interpreting or applying such laws, rules or regulations, which amendment or change is effective or which pronouncement, action or decision is announced on or after the date of issuance of the related Corresponding Debentures, there is more than an insubstantial risk that such Affiliated Depository Institution will not be entitled to treat an amount equal to the aggregate liquidation

amount of the related Corresponding Debentures as "Tier 1 Capital" (or its then equivalent) for purposes of the capital adequacy guidelines of the Federal Reserve, as then in effect and applicable to such Affiliated Depository Institution (or if the Affiliated Depository Institution is not a bank holding company, such guidelines applied to the Affiliated Depository Institution as if the Affiliated Depository Institution were subject to such guidelines); *provided, however*, that the inability of such Affiliated Depository Institution to treat all or any portion of the liquidation amount of the related Corresponding Debentures as Tier 1 Capital shall not constitute the basis for a Capital Treatment Event if such inability results from such Affiliated Depository Institution having cumulative preferred stock, minority interests in consolidated subsidiaries, or any other class of security or interest which the Federal Reserve or the Office of Thrift Supervision, as applicable, now or may hereafter accord Tier 1 Capital treatment in excess of the amount which may qualify for treatment as Tier 1 Capital under applicable capital adequacy guidelines; *provided further*, *however*, that the distribution of Corresponding Debentures in connection with the dissolution of the related PreTS[sm] Issuer shall not in and of itself constitute a Capital Treatment Event unless such dissolution shall have occurred in connection with a Tax Event or an Investment Company Event;

(b) with respect to all of the PreTS[sm] other than the Unmodified PreTSL III PreTS[sm], the receipt by an Affiliated Depository Institution HC and the related PreTS[sm] Issuer of an opinion of counsel experienced in such matters to the effect that, as a result of the occurrence of any amendment to, or change (including any announced prospective change) in, the laws, rules or regulations of the U.S. or any political subdivision thereof or therein, or as the result of any official or administrative pronouncement or action or decision interpreting or applying such laws, rules or regulations, which amendment or change is effective or which pronouncement, action or decision is announced on or after the date of original issuance of the related Corresponding Debentures, there is more than an insubstantial risk that such Affiliated Depository Institution HC will not, within 90 days of the date of such opinion, be entitled to treat an amount equal to the aggregate liquidation amount of the related PreTS[sm] as "Tier 1 Capital" (or the then equivalent thereof) for purposes of the capital adequacy guidelines of the Federal Reserve, as then in effect and applicable to such Affiliated Depository Institution HC (or if the Affiliated Depository Institution HC is not a bank holding company or is otherwise not subject to the Federal Reserve's risk-based capital adequacy guidelines, such guidelines applied to the Affiliated Depository Institution HC as if the Affiliated Depository Institution HC were subject to such guidelines); *provided*, *however*, that the inability of such Affiliated Depository Institution HC to treat all or any portion of the liquidation amount of the related PreTS[sm] as "Tier 1 Capital" shall not constitute the basis for a Capital Treatment Event if such inability results from such Affiliated Depository Institution HC having cumulative preferred stock, minority interests in consolidated subsidiaries, or any other class of security or interest which the Federal Reserve or the Office of Thrift Supervision, as applicable, may now or hereafter accord "Tier 1 Capital" treatment in excess of the amount which may now or hereafter qualify for treatment as "Tier 1 Capital" under applicable capital adequacy guidelines; *provided further*, *however*, that the distribution of Corresponding Debentures in connection with the liquidation of the related PreTS[sm] Issuer shall not in and of itself constitute a Capital Treatment Event unless such liquidation shall have occurred in connection with a Tax Event or an Investment Company Event; and

(c) with respect to a Trust Preferred D-SMS, the event or events described in the related Trust Preferred D-SMS documents upon the occurrence of which the Trust Preferred D-SMS may be redeemed prior to its Redemption Date, on the basis that the related Affiliated Depository Institution HC will not be entitled to treat an amount equal to the aggregate principal amount of the Trust Preferred D-SMS as "Tier 1 Capital" (or the then equivalent thereof) for purposes of the capital adequacy guidelines of the Federal Reserve, as then in effect and applicable to such Affiliated Depository Institution HC.

The Capital Treatment Event descriptions in the related Trust Preferred D-SMS documents include terms similar to those in the description of the Capital Treatment Events in the related PreTS[sm] documents. See "Risk Factors—Risk Factors Relating to the D-Capital Securities—*20. Accounting and Regulatory Issues with respect to the PreTS[sm] and the Trust Preferred D-SMS*".

On February 27, 2006, the Federal Reserve issued final rules that increased the number of small bank holding companies that qualify for an exemption from the Federal Reserve's risk-based capital guidelines.

Under the new rules, the definition of Capital Treatment Event in subparagraph (b) above may permit an Affiliated Depository Institution HC with less than $500 million in consolidated assets to declare a Capital Treatment Event (if the terms of the definition are satisfied) even though it is exempt from the Federal Reserve's risk-based capital guidelines because it qualifies for the small bank holding company exemption for such guidelines.

Redemption Price for the PreTS[sm]

Optional Redemption Price. With respect to 72 PreTS[sm] Issuers, in the event of an optional redemption on any Capital Security Payment Date on or after the related First Call Date, the redemption price of the Corresponding Debentures required to be paid by the applicable Affiliated Depository Institution HC to its subsidiary PreTS[sm] Issuer will be 100% of the principal amount of the Corresponding Debentures being redeemed, plus accrued and unpaid interest (including any Deferred Interest) on such Corresponding Debentures to the Redemption Date (the "**Optional Redemption Price**").

With respect to 36 PreTS[sm] Issuers (constituting all of the Unmodified PreTSL III PreTS[sm] Issuers), in the event of an optional redemption, the Redemption Price required to be paid by the applicable Affiliated Depository Institution HC to its subsidiary PreTS[sm] Issuer will be (1) if the Redemption Date is before July 31, 2007, 107.5% of the principal amount of the Corresponding Debentures being redeemed and (2) thereafter the following amounts expressed as a percentage of the principal amount of such Corresponding Debentures being redeemed:

Redemption Date During The 12-Month Period Beginning July 31 of Each Year	**Percentage of Principal Amount**
2007	106.0%
2008	104.5%
2009	103.0%
2010	101.5%
2011 and thereafter	100.0%

Special Redemption Price. Floating PreTS[sm]. With respect to 17 PreTS[sm] Issuers, in the event of a redemption of its Floating PreTS[sm] as a result of a Special Event, the redemption price of the Corresponding Debentures (the "**Special Redemption Price**") required to be paid by the applicable Affiliated Depository Institution HC to its subsidiary PreTS[sm] Issuer will be the following amounts expressed as a percentage of the principal amount of such Corresponding Debentures being redeemed:

Collateral Security Payment Date Occurring In	**Redemption Price**
December 2006	104.625%
March 2007	104.300%
June 2007	104.000%
September 2007	103.650%
December 2007	103.350%
March 2008	103.000%
June 2008	102.700%
September 2008	102.350%
December 2008	102.050%
March 2009	101.700%
June 2009	101.400%
September 2009	101.050%
December 2009	100.750%
March 2010	100.450%
June 2010	100.200%
September 2010 and thereafter	100.000%

With respect to 12 PreTS[sm] Issuers, in the event of a redemption of a Floating PreTS[sm] as a result of a Special Event, the Special Redemption Price required to be paid by the applicable Affiliated Depository Institution HC to its subsidiary PreTS[sm] Issuer will be the following amounts expressed as a percentage of the principal amount of such Corresponding Debentures being redeemed:

Collateral Security Payment Date Occurring In	**Redemption Price**
September 2006	104.625%
December 2006	104.300%
March 2007	104.000%
June 2007	103.650%
September 2007	103.350%
December 2007	103.000%
March 2008	102.700%
June 2008	102.350%
September 2008	102.050%
December 2008	101.700%
March 2009	101.400%
June 2009	101.050%
September 2009	100.750%
December 2009	100.450%
March 2010	100.200%
June 2010 and thereafter	100.000%

With respect to five PreTS[sm] Issuers, in the event of a redemption of a Floating PreTS[sm] as a result of a Special Event, the Special Redemption Price required to be paid by the applicable Affiliated Depository Institution HC to its subsidiary PreTS[sm] Issuer will be the following amounts expressed as a percentage of the principal amount of such Corresponding Debentures being redeemed:

Collateral Security Payment Date Occurring In	**Redemption Price**
June 2006	104.625%
September 2006	104.300%
December 2006	104.000%
March 2007	103.650%
June 2007	103.350%
September 2007	103.000%
December 2007	102.700%
March 2008	102.350%
June 2008	102.050%
September 2008	101.700%
December 2008	101.400%
March 2009	101.050%
June 2009	100.750%
September 2009	100.450%
December 2009	100.200%
March 2010 and thereafter	100.000%

With respect to 13 PreTS[sm] Issuers (each of which is a Restructured PreTSL III PreTS[sm] Issuer), in the event of a redemption of a Floating PreTS[sm] as a result of a Special Event, the Special Redemption Price required to be paid by the applicable Affiliated Depository Institution HC to its subsidiary PreTS[sm] Issuer will

be (1) if the Redemption Date is before July 31, 2011, 107.5% of the principal amount of the Corresponding Debentures being redeemed, and (2) if the Redemption Date is on or after July 31, 2011, at par plus accrued and unpaid interest on such Floating PreTS[sm] to the Redemption Date.

Fixed/Floating PreTS[sm]. In the event of a redemption of a Fixed/Floating PreTS[sm] as a result of a Special Event, the redemption price of the Corresponding Debentures (also a "**Special Redemption Price**") required to be paid by the applicable Affiliated Depository Institution HC to its subsidiary PreTS[sm] Issuer will generally be (1) if the Redemption Date is before the First Call Date in respect of the PreTS[sm], the greater of (a) 107.5% of the principal amount of such Corresponding Debentures being redeemed, plus accrued and unpaid interest (including any Deferred Interest) on such Corresponding Debentures to the Redemption Date and (b) the sum of the present values of the scheduled payments of principal and interest on such Corresponding Debentures from such Special Redemption Date to such First Call Date (assuming such Corresponding Debentures matured on the First Call Date), discounted to the Special Redemption Date on a quarterly basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (a yield determined in accordance with the Affiliated Depository Institution HC Indenture and based on a United States Treasury security with a maturity comparable to the period from the Special Redemption Date to the First Call Date), plus accrued and unpaid interest (including any Deferred Interest) on such Corresponding Debentures to the Redemption Date and (2) if the Redemption Date is on or after the First Call Date in respect of the Fixed/Floating PreTS[sm], at par plus accrued and unpaid interest on such Fixed/Floating PreTS[sm] to the Redemption Date.

Hybrid PreTS[sm]. With respect to two PreTS[sm] Issuers, in the event of a redemption of a Hybrid PreTS[sm] as a result of a Special Event, the redemption price of the Corresponding Debentures (also a "**Special Redemption Price**") required to be paid by the applicable Affiliated Depository Institution HC to its subsidiary PreTS[sm] Issuer will generally be (A) if the Special Redemption Date is before the First Call Date in respect of Hybrid PreTS[sm], the sum of (i) the product of (a) the percentage of the Hybrid PreTS[sm] to which a floating interest rate is applicable times (b) the price set forth in the following table for any Special Redemption Date that occurs on the date indicated below (or if such day is not a Business Day, then the next succeeding Business Day), expressed as the percentage of the principal amount of the Corresponding Debentures:

Collateral Security Payment Date Occurring In	**Redemption Price**
December 2006	104.625%
March 2007	104.300%
June 2007	104.000%
September 2007	103.650%
December 2007	103.350%
March 2008	103.000%
June 2008	102.700%
September 2008	102.350%
December 2008	102.050%
March 2009	101.700%
June 2009	101.400%
September 2009	101.050%
December 2009	100.750%
March 2010	100.450%
June 2010	100.200%
September 2010 and thereafter	100.000%

plus (ii) the product of the percentage of the PreTS[sm] to which a fixed rate is applicable times the greater of (y) 107.5% of the principal amount of the Corresponding Debentures, plus accrued and unpaid interest

(including Additional Interest) on the Corresponding Debentures to the Special Redemption Date, or (z) the sum of the present values of the scheduled payments of principal and interest on such Corresponding Debentures from such Special Redemption Date to such First Call Date (assuming such Corresponding Debentures matured on the First Call Date), discounted to the Special Redemption Date on a quarterly basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (a yield determined in accordance with the Affiliated Depository Institution HC Indenture and based on a United States Treasury security with a maturity comparable to the period from the Special Redemption Date to the First Call Date), plus accrued and unpaid interest (including any Deferred Interest) on such Corresponding Debentures to the Special Redemption Date, or (B) if the Special Redemption Date is on or after the First Call Date in respect of the Hybrid PreTS[sm], at par plus accrued and unpaid interest on such Hybrid PreTS[sm] to the Special Redemption Date.

With respect to two PreTS[sm] Issuers, in the event of a redemption of a Hybrid PreTS[sm] as a result of a Special Event, the Special Redemption Price required to be paid by the applicable Affiliated Depository Institution HC to its subsidiary PreTS[sm] Issuer will generally be (A) if the Special Redemption Date is before the First Call Date in respect of Hybrid PreTS[sm], the sum of (i) the product of (a) the percentage of the Hybrid PreTS[sm] to which a floating interest rate is applicable times (b) the price set forth in the following table for any Special Redemption Date that occurs on the date indicated below (or if such day is not a Business Day, then the next succeeding Business Day), expressed as the percentage of the principal amount of the Corresponding Debentures:

Collateral Security Payment Date Occurring In	**Redemption Price**
September 2006	104.625%
December 2006	104.300%
March 2007	104.000%
June 2007	103.650%
September 2007	103.350%
December 2007	103.000%
March 2008	102.700%
June 2008	102.350%
September 2008	102.050%
December 2008	101.700%
March 2009	101.400%
June 2009	101.050%
September 2009	100.750%
December 2009	100.450%
March 2010	100.200%
June 2010 and thereafter	100.000%

plus (ii) the product of the percentage of the PreTS[sm] to which a fixed rate is applicable times the greater of (y) 107.5% of the principal amount of the Corresponding Debentures, plus accrued and unpaid interest (including Additional Interest) on the Corresponding Debentures to the Special Redemption Date, or (z) the sum of the present values of the scheduled payments of principal and interest on such Corresponding Debentures from such Special Redemption Date to such First Call Date (assuming such Corresponding Debentures matured on the First Call Date), discounted to the Special Redemption Date on a quarterly basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (a yield determined in accordance with the Affiliated Depository Institution HC Indenture and based on a United States Treasury security with a maturity comparable to the period from the Special Redemption Date to the First Call Date), plus accrued and unpaid interest (including any Deferred Interest) on such Corresponding Debentures to the Special Redemption Date, or (B) if the Special Redemption Date is on or after the First Call Date in respect of

the Hybrid PreTS[sm], at par plus accrued and unpaid interest on such Hybrid PreTS[sm] to the Special Redemption Date.

Redemption and Prepayments of the Trust Preferred D-SMS

Each Trust Preferred D-SMS Issuer will be obligated to redeem its Trust Preferred D-SMS when the Corresponding Debentures are paid at maturity, or upon earlier redemption of such Corresponding Debentures.

The "**Optional Redemption Price**" of the Trust Preferred D-SMS for the prepayment of the Principal Balance of such Trust Preferred D-SMS on or after its respective First Call Date will be equal to 100% of the principal amount of the related Corresponding Debenture being redeemed plus accrued and unpaid interest thereon.

The "**Special Redemption Price**" of each Trust Preferred D-SMS is as follows:

With respect to one Trust Preferred D-SMS Issuer, the redemption price of the Corresponding Debenture as a result of a Special Event required to be paid by the Affiliated HC to its subsidiary Trust Preferred D-SMS Issuer will be (1) if the Redemption Date is before June 1, 2007, 103.525% of the principal amount of the Corresponding Debentures being redeemed and (2) thereafter the following amounts expressed as a percentage of the principal amount of Corresponding Debentures being redeemed:

Special Redemption During The 12-Month Period Beginning June 1 of Each Year	**Percentage of Principal Amount**
2007	103.140%
2008	102.355%
2009	101.570%
2010	100.785%
2011 and thereafter	100.000%

plus, in each case, accrued and unpaid interest thereon.

With respect to two Trust Preferred D-SMS Issuers, the redemption price of the Corresponding Debenture as a result of a Special Event required to be paid by the applicable Affiliated HC to its subsidiary Trust Preferred D-SMS Issuer will be (1) if the Redemption Date is before December 15, 2007, 103.60% of the principal amount of the Corresponding Debentures being redeemed and (2) thereafter the following amounts expressed as a percentage of the principal amount of Corresponding Debentures being redeemed:

Special Redemption During The 12-Month Period Beginning December 15 of Each Year	**Percentage of Principal Amount**
2007	102.88%
2008	102.16%
2009	101.44%
2010	100.72%
2011 and thereafter	100.00%

plus, in each case, accrued and unpaid interest thereon.

With respect to one Trust Preferred D-SMS Issuer, the redemption price of the Corresponding Debenture as a result of a Special Event required to be paid by the Affiliated HC to its subsidiary Trust Preferred D-SMS Issuer will be (1) if the Redemption Date is before July 7, 2011, 105% of the principal amount of the Corresponding Debentures being redeemed and (2) thereafter, 100% of the principal amount of the Corresponding Debentures being redeemed plus, in each case, accrued and unpaid interest thereon.

With respect to one Trust Preferred D-SMS Issuer, the redemption price of the Corresponding Debenture as a result of a Special Event required to be paid by the Affiliated HC to its subsidiary Trust Preferred D-SMS Issuer will be (1) if the Redemption Date is before October 7, 2011, 105% of the principal amount of the Corresponding Debentures being redeemed and (2) thereafter, 100% of the principal amount of the Corresponding Debentures being redeemed plus, in each case, accrued and unpaid interest thereon.

With respect to two Trust Preferred D-SMS Issuers, the redemption price of the Corresponding Debenture as a result of a Special Event required to be paid by the applicable Affiliated HC to its subsidiary Trust Preferred D-SMS Issuer will be 100% of the principal amount of the Corresponding Debentures being redeemed plus accrued and unpaid interest thereon.

Redemption and Prepayment of the Subordinated Debentures

Each Subordinated Debenture Issuer will be obligated to redeem its related Subordinated Debenture at maturity. Also, each Subordinated Debenture may be redeemed by the related Subordinated Debenture Issuer, in whole or in part, on any of its Capital Security Payment Dates on or after its First Call Date at par plus accrued and unpaid interest on such Subordinated Debenture, to the Redemption Date. The Subordinated Debentures may not be prepaid prior to their applicable First Call Dates.

Voting

The Issuer will own all of the PreTS[sm] issued by 93 of the 108 PreTS[sm] Issuers and the Subordinated Debentures issued by four of the six Subordinated Debenture Issuers. In addition, the Issuer will own a majority of the Principal Balance of the PreTS[sm] issued by four of the 15 remaining PreTS[sm] Issuers and the Subordinated Debenture issued by one of the remaining Subordinated Debenture Issuers. As a result, the Issuer will control matters as to which the Issuer is requested to vote or give its consent in respect of 97 of the 108 PreTS[sm] Issuers and their PreTS[sm] and five of the six Subordinated Debenture Issuers and their Subordinated Debentures. The Issuer will own less than a majority of the Principal Balance of 11 of the PreTS[sm], one of the Subordinated Debentures and all of the Trust Preferred D-SMS. Consequently, the Issuer will not be able to control any matters as to which the Issuer is requested to vote or give its consent in respect of such PreTS[sm] Issuers and their PreTS[sm], such Subordinated Debenture Issuer and its Subordinated Debentures and such Trust Preferred D-SMS Issuers and their Trust Preferred D-SMS.

Other Covenants Related to Affiliated Depository Institution HCs

If (i) there has occurred and is continuing any event that would constitute an event of default (as described below) under an Affiliated Depository Institution HC Indenture relating to Corresponding Debentures, (ii) an Affiliated Depository Institution HC is in default with respect to its payment of any obligations under its PreTS[sm] Guarantee, or (iii) an Affiliated Depository Institution HC has given notice of its election to defer payments of interest on its Corresponding Debentures by extending the interest payment period as provided in the Affiliated Depository Institution HC Indenture relating to such Corresponding Debentures, or any such Extension Period is continuing, then (a) except in certain limited circumstances, such Affiliated Depository Institution HC shall not, and shall not allow any of its Affiliates to, declare or pay any dividend on, make a distribution with respect to, or redeem, purchase or make a liquidation payment with respect to, any of its capital stock or any of its Affiliates' capital stock (other than payments of dividends or distributions to such Affiliated Depository Institution HC), or make any guarantee payments (other than payments under the Guarantee) with respect to the foregoing and (b) except in certain limited circumstances, such Affiliated Depository Institution HC shall not, and shall not allow any of its Affiliates to, make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities issued by such Affiliated Depository Institution HC or by any of its Affiliates that rank *pari passu* in all respects with or junior to the Corresponding Debentures.

Notwithstanding the foregoing, in the case of 14 Affiliated Depository Institution HC Indentures and the related Affiliated Depository Institution HCs, the limitation described in clause (a) above shall not apply to

payments of dividends from direct or indirect subsidiaries of such Affiliated Depository Institution HCs to their parent corporations which also shall be direct or indirect subsidiaries of such Affiliated Depository Institution HCs.

Description of the Corresponding Debentures Owned by PreTS[sm] Issuers

General. Concurrently with the issuance of its PreTS[sm], each PreTS[sm] Issuer will invest the proceeds thereof in Corresponding Debentures up to the Liquidation Amount of the related PreTS[sm]. The consideration received by such PreTS[sm] Issuer from its parent Affiliated Depository Institution HC for its Common Securities will also be invested in Corresponding Debentures. The PreTS[sm] issued by a PreTS[sm] Issuer will only receive payments in respect of the Corresponding Debentures represented by and allocable (on a *pro rata* basis) to such PreTS[sm] with an initial principal balance equal to the Liquidation Amount of such PreTS[sm] and will not receive payments in respect of the Corresponding Debentures represented by and allocable to the Common Securities of that PreTS[sm] Issuer. The Corresponding Debentures will represent junior subordinated, unsecured debt and will be issued pursuant to separate Affiliated Depository Institution HC Indentures. U.S. Bank will be the trustee under Affiliated Depository Institution HC Indenture in respect of PreTSL III PreTS[sm] Issuer and Wilmington Trust will be the trustee under each Affiliated Depository Institution HC Indenture in respect of the other PreTS[sm] Issuers (in respect of each PreTS[sm] Issuer, the "**Debenture Trustee**").

No Affiliated Depository Institution HC Indenture will contain provisions that afford the PreTS[sm] Issuer, as the holder of the Corresponding Debentures, protection in the event of a highly leveraged transaction or other similar transaction involving the Affiliated Depository Institution HC that may adversely affect such holders.

Subordination. Each Affiliated Depository Institution HC Indenture will provide that the Corresponding Debentures will be subordinated and junior in right of payment to all present and future Senior Indebtedness (as defined thereunder and as described in the Glossary of Certain Defined Terms) of the applicable Affiliated Depository Institution HC. No payment of principal (including redemption payments) or interest on the Corresponding Debentures may be made (in cash, property, securities, by set-off or otherwise) if (i) any Senior Indebtedness of such Affiliated Depository Institution HC 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 Affiliated Depository Institution HC has been accelerated because of a default. Upon any distribution of assets of the Affiliated Depository Institution HC to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all principal and interest due or to become due on all Senior Indebtedness of the Affiliated Depository Institution HC must be paid in full before the holders of the Corresponding Debentures are entitled to receive or retain any payment. Upon satisfaction of all claims of all Senior Indebtedness then outstanding, the rights of the holders of the Corresponding Debentures will be subrogated to the rights of the holders of Senior Indebtedness of the Affiliated Depository Institution HC to receive payments or distributions applicable to Senior Indebtedness until the principal of (and premium, if any) and interest on the Corresponding Debentures are paid in full. There is no limit to the aggregate amount of Senior Indebtedness that may be issued by any Affiliated Depository Institution HC.

The right of an Affiliated Depository Institution HC to participate in any distribution of assets of any subsidiary upon such subsidiary's liquidation or reorganization or otherwise is subject to the prior claims of creditors of that subsidiary, except to the extent the Affiliated Depository Institution HC may itself be recognized as a creditor of that subsidiary. Each Affiliated Depository Institution HC relies primarily on dividends from such subsidiaries to meet its obligations for payment of principal and interest on its outstanding debt obligations and corporate expenses. The principal sources of the Affiliated Depository Institution HC's income are dividends, interest and fees from its subsidiaries. The financial institution subsidiaries of each Affiliated Depository Institution HC are subject to certain restrictions imposed by applicable law on any extensions of credit to, and certain other transactions with the Affiliated Depository Institution HC and certain

other affiliates and on investments in stock or other securities thereof. In addition, payment of dividends to an Affiliated Depository Institution HC by its financial institution subsidiaries is subject to ongoing review by regulators and is subject to various statutory limitations and in certain circumstances requires approval by regulatory authorities. Accordingly, each Affiliated Depository Institution HC's obligations under its Corresponding Debentures will be effectively subordinated to all existing and future liabilities of that Affiliated Depository Institution HC's subsidiaries.

Redemption. Each Affiliated Depository Institution HC may redeem its Corresponding Debentures in whole, but not in part, on any Special Redemption Date, and at any time and from time to time, on any Capital Security Payment Date in respect of the related PreTS[sm] on or after the First Call Date as described in "—Redemption and Prepayments of the D-Capital Securities".

Interest. Each Corresponding Debenture will bear interest as described above under "—Terms of the D-Capital Securities—*Terms of the PreTS[sm]*". The amount of interest payable for any period will be computed on the basis of (a) with respect to the PreTS[sm] (except for the Fixed/Floating PreTS[sm] during their respective Capital Securities Fixed Rate Periods), the actual number of days in the related quarterly accrual period and a 360-day year, and (b) with respect to the Fixed/Floating PreTS[sm] during their respective Capital Securities Fixed Rate Periods, a 360-day year of twelve 30-day months.

Option to Extend Interest Payment Period. Each Affiliated Depository Institution HC has 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 during the term of such Corresponding Debentures, for up to 20 consecutive quarterly periods as described in "—Distributions on the D-Capital Securities—*Distributions on the PreTS[sm]*".

Additional Sums. If at any time as a result of a Tax Event a PreTS[sm] Issuer is required to pay any taxes, duties, assessments or governmental charges of whatever nature (including withholding taxes) imposed by the U.S., or any other taxing authority, then, in any such case, its parent Affiliated Depository Institution HC will pay as additional amounts ("**Additional Sums**") on the Corresponding Debentures such additional amounts as shall be required so that the net amounts received and retained by the PreTS[sm] Issuer after paying any such taxes, duties, assessments or other governmental charges will equal the amounts the PreTS[sm] Issuer would have received had no such taxes, duties, assessments or other governmental charges been imposed.

Ownership of Common Securities. The parent Affiliated Depository Institution HC of each PreTS[sm] Issuer will, for so long as any PreTS[sm] Issuer Securities remain outstanding, maintain 100% ownership of the Common Securities of such PreTS[sm] Issuer; *provided*, *however*, that any permitted successor of an Affiliated Depository Institution HC may succeed to such Affiliated Depository Institution HC's ownership of such Common Securities.

Limitation on Mergers and Sales of Assets. Any Affiliated Depository Institution HC of a PreTS[sm] Issuer may consolidate or merge with or into any other Person (whether or not affiliated with such Affiliated Depository Institution HC), or sell, convey, transfer or otherwise dispose of its or its successor or successors property as an entirety, or substantially as an entirety, to any other Person (whether or not affiliated with the Affiliated Depository Institution HC or its successor or successors) authorized to acquire and operate the same; *provided*, *however*, that an Affiliated Depository Institution HC will, upon any such consolidation, merger (where the Affiliated Depository Institution HC is not the surviving corporation), sale, conveyance, transfer or other disposition, cause the obligations of such Affiliated Depository Institution HC under its Corresponding Debentures and the related Affiliated Depository Institution HC Indenture to be expressly assumed by the successor entity formed by such consolidation or into which the Affiliated Depository Institution HC shall have been merged, or which shall have acquired such property.

Events of Default, Waiver and Notice. Each Affiliated Depository Institution HC Indenture of an Affiliated Depository Institution HC of each PreTS[sm] Issuer provides that any one or more of the following

described events which has occurred and is continuing with respect to the Corresponding Debentures issued pursuant to such Affiliated Depository Institution HC Indenture constitutes an "event of default" with respect to the Corresponding Debentures:

(a) default in the payment of any interest on such Corresponding Debentures following nonpayment of such interest for twenty or more consecutive quarterly periods (except that, in the case of the Unmodified PreTSL III PreTS[sm], the default for 30 days in the payment of any interest on such Corresponding Debentures when due constitutes an event of default (a valid extension of an interest payment period by the Affiliated Depository Institution HC in accordance with the terms of the Affiliated Depository Institution HC Indenture is not a default under this clause)); or

(b) default in payment of principal of (or premium, if any, on) such Corresponding Debentures when due either at maturity, upon redemption, by declaration of acceleration or otherwise; or

(c) default by an Affiliated Depository Institution HC in the performance of, or breach of, certain other of the covenants or agreements in the Affiliated Depository Institution HC Indenture which shall not have been remedied for a period of 60 days after written notice to the Affiliated Depository Institution HC by the Debenture Trustee or to the Affiliated Depository Institution HC and the Debenture Trustee by the holders of not less than 25% in aggregate principal amount of the related Corresponding Debentures; or

(d) certain events of bankruptcy, insolvency or reorganization of the Affiliated Depository Institution HC; or

(e) the Liquidation of the Affiliated Depository Institution HC's subsidiary PreTS[sm] Issuer, except in connection with the distribution of the Corresponding Debentures to the holders of PreTS[sm] Issuer Securities in liquidation of the PreTS[sm] Issuer, the redemption of all of the PreTS[sm] Issuer Securities, or certain mergers, consolidations or amalgamations, permitted by the related Declaration.

If an event of default described in paragraph (a), (d) or (e) above shall have occurred and be continuing (or, in the case of the Unmodified PreTSL III PreTS[sm], paragraph (a), (b), (c), (d) or (e)), either the Debenture Trustee or the holders of not less than 25% in aggregate principal amount of the Corresponding Debentures then outstanding may declare the principal of and accrued interest on all such Corresponding Debentures to be due and payable immediately, but upon certain conditions such declarations may be annulled and past defaults may be waived (except defaults in payment of principal of or interest or premium on the 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. With respect to all of the PreTS[sm] other than the Unmodified PreTSL III PreTS[sm], if an event of default described in paragraph (b) or (c) 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 Corresponding Debentures then outstanding may proceed to remedy the default or breach thereunder by such appropriate judicial proceedings as the Debenture Trustee or such holders shall deem most effectual to remedy the defaulted covenant or enforce the provisions of the Affiliated Depository Institution HC Indenture so breached, either by suit in equity or by action at law, for damages or otherwise.

The right of any holder of any Corresponding Debenture to receive payment of the principal of, 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 an Affiliated Depository Institution HC Indenture of an Affiliated Depository Institution HC of a PreTS[sm] Issuer also constitutes an event of default under the related Declaration (a "**Declaration Event of Default**"). Upon the occurrence of a Declaration Event of Default, the Institutional

Trustee will have the same rights and remedies as the Debenture Trustee has under the applicable Affiliated Depository Institution HC Indenture. A waiver of any event of default under an Affiliated Depository Institution HC Indenture will constitute a waiver of the corresponding Declaration Event of Default.

Description of the Subordinated Debentures

The summary of the material terms and provisions of the Subordinated Debentures contained in this Offering Circular does not purport to be complete and is subject to and qualified in its entirety by reference to the Subordinated Debentures. Copies of the form of Subordinated Debenture may be obtained by Noteholders upon request in writing to the Institutional Trustee at its Corporate Trust Office and by prospective purchasers of Notes from the Placement Agents.

General. Each Subordinated Debenture will represent subordinated, unsecured debt and will be issued pursuant to a Subordinated Debenture Indenture. Wilmington Trust will be the trustee under the Subordinated Debenture Indentures (the "**Subordinated Debenture Trustee**").

The Subordinated Debenture Indentures will not contain provisions that afford the Issuer, as the holder of the Subordinated Debentures, protection in the event of a highly leveraged transaction or other similar transaction involving the related Subordinated Debenture Issuer that may adversely affect the Issuer.

Subordination. The Subordinated Debenture Indentures will provide that the Subordinated Debentures will be subordinated and junior in right of payment to all present and future Senior Indebtedness (as defined thereunder and as described in the Glossary of Certain Defined Terms) of the related Subordinated Debenture Issuer. No payment of principal (including redemption payments) or interest on the Subordinated Debentures may be made (in cash, property, securities, by set-off or otherwise) if (i) any Senior Indebtedness of the related Subordinated Debenture 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 the related Subordinated Debenture Issuer has been accelerated because of a default. Upon any distribution of assets of a Subordinated Debenture Issuer to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all principal and interest due or to become due on all Senior Indebtedness of the related Subordinated Debenture Issuer must be paid in full before the holders of the related Subordinated Debenture are entitled to receive or retain any payment. Upon satisfaction of all claims of all Senior Indebtedness then outstanding, the rights of the holders of that Subordinated Debenture will be subrogated to the rights of the holders of Senior Indebtedness of the related Subordinated Debenture Issuer to receive payments or distributions applicable to Senior Indebtedness until all amounts owing on its Subordinated Debenture are paid in full. There is no limit to the aggregate amount of Senior Indebtedness that may be issued by the Subordinated Debenture Issuers.

Redemption. Each Subordinated Debenture Issuer may (subject to receipt by each such Subordinated Debenture Issuer of prior approval of such Subordinated Debenture Issuer's Applicable Regulator if then required under applicable regulations) redeem without premium its Subordinated Debenture, in whole or in part, on any Capital Security Payment Date in respect of the related Subordinated Debenture on or after the First Call Date at par plus accrued and unpaid interest on its Subordinated Debenture to the Redemption Date, as described in "—Redemption and Prepayments of the D-Capital Securities".

Interest. The Subordinated Debentures will bear interest as described above under "—Distributions on the D-Capital Securities—*Payments on the Subordinated Debentures*". Interest payable for any period on the Floating Subordinated Debenture and for any period following the Capital Securities Fixed Rate Period on the Fixed/Floating Subordinated Debenture will be computed on the basis of the actual number of days in the related quarterly accrual period and a 360-day year. Interest payable for any Capital Securities Fixed Rate Period in respect of the Fixed/Floating Subordinated Debenture will be computed on the basis of a 360-day year of twelve 30 day months.

Certain Covenants. Subject to certain limitations contained in the related Subordinated Debenture Indenture, if there has occurred and is continuing any event that would constitute an event of default (as described below) under its Subordinated Debenture Indenture, then the related Subordinated Debenture Issuer shall not, and shall not allow any of its Affiliates to, make any payment of interest, principal or premium, if any, on any debt securities issued by it or by any of its Affiliates that rank *pari passu* with or junior to its Subordinated Debenture.

Limitation on Mergers and Sales of Assets. A Subordinated Debenture Issuer may consolidate or merge with or into any other Person (whether or not affiliated with such Subordinated Debenture Issuer), or sell, convey, transfer or otherwise dispose of its or its successor or successors property as an entirety, or substantially as an entirety, to any other Person (whether or not affiliated with such Subordinated Debenture Issuer or its successor or successors) authorized to acquire and operate the same; *provided*, *however*, that such Subordinated Debenture Issuer will, upon any such consolidation, merger, sale, conveyance, transfer or other disposition, cause its obligations under its Subordinated Debenture and the related Subordinated Debenture Indenture to be expressly assumed by the successor entity formed by such consolidation or into which such Subordinated Debenture Issuer shall have been merged, or which shall have acquired such property.

Events of Default, Waiver and Notice. Each Subordinated Debenture Indenture provides that certain events of bankruptcy, insolvency or reorganization of the related Subordinated Debenture Issuer which have occurred and are continuing with respect to its Subordinated Debenture and certain other events constitute an "event of default" with respect to such Subordinated Debenture.

If an event of default shall have occurred and be continuing, either the Subordinated Debenture Trustee or the holders of not less than 25% in aggregate principal amount of such Subordinated Debenture then outstanding may declare the principal of and accrued interest on such Subordinated Debenture to be due and payable immediately, but upon certain conditions such declarations may be annulled and past defaults may be waived (except defaults in payment of principal of or interest on such Subordinated Debenture, which must be cured or paid in full) by the holders of a majority in aggregate principal amount of such Subordinated Debenture then outstanding.

The right of any holder of a Subordinated Debenture to receive payment of the principal of and interest on such Subordinated Debenture when due, or to institute suit for the enforcement of any such payment, shall not be impaired or affected under the related Subordinated Debenture Indenture without the consent of such holder. However, various legal limitations may adversely affect the ability of the Subordinated Debenture Issuers to make payments on their Subordinated Debentures. See "Risk Factors—Risk Factors Relating to the D-Capital Securities—*18. Nature of the PreTS[sm], the Trust Preferred D-SMS and the related Corresponding Debentures; Nature of the Subordinated Debenture issued by a Depository Institution Holding Company*" and "*—19. Nature of the Subordinated Debentures issued by Depository Institutions*".

Effect of PreTS[sm] Obligations and the Subordinated Debentures

Corresponding Debentures. As long as payments of interest and other payments are made when due on the Corresponding Debentures, such payments will be sufficient to cover distributions and payments due on the related PreTS[sm] because of the following factors: (i) the aggregate principal amount of the Corresponding Debentures (exclusive of the portion thereof allocable to the Common Securities) will be equal to the aggregate stated Principal Balance of the related PreTS[sm]; (ii) the interest rate and the payment dates on the Corresponding Debentures will match the rate borne by the PreTS[sm] and distribution dates for the PreTS[sm]; and (iii) the parent Affiliated Depository Institution HC will be obligated to pay all, and its subsidiary PreTS[sm] Issuer will not be obligated to pay directly or indirectly any, costs, expenses, debts, and other obligations of such PreTS[sm] Issuer (other than distributions on its PreTS[sm] Issuer Securities).

Payments of amounts due on the PreTS[sm] (to the extent funds therefor are available to a PreTS[sm] Issuer) are guaranteed by the parent Affiliated Depository Institution HC of each PreTS[sm] Issuer. If an Affiliated Depository Institution HC does not make interest payments on its Corresponding Debentures, it is expected that its subsidiary PreTS[sm] Issuer will not have sufficient funds to pay distributions on its PreTS[sm]. The PreTS[sm] Guarantee will not apply to any payment of distributions except to the extent that the applicable PreTS[sm] Issuer has funds available for the payment of such distributions. Each PreTS[sm] Guarantee will cover the payment of distributions and other payments on the related PreTS[sm] only if and to the extent that the parent Affiliated Depository Institution HC has made payments of interest or principal on the Corresponding Debentures held by a PreTS[sm] Issuer as its sole assets. The PreTS[sm] Guarantee, when taken together with an Affiliated Depository Institution HC's obligations under the Corresponding Debentures, the Declaration and the Affiliated Depository Institution HC Indenture, including its obligations to pay costs, expenses, debts and other obligations of its subsidiary PreTS[sm] Issuer (other than with respect to the PreTS[sm] Issuer Securities), provide a full and unconditional guarantee on a subordinated basis by the Affiliated Depository Institution HC of amounts when due on such PreTS[sm]. See "—PreTS[sm] Guarantee".

If an Affiliated Depository Institution HC fails to make interest or other payments on the Corresponding Debentures when due (after giving effect to any Extension Period) or another event of default under the related Affiliated Depository Institution HC Indenture has occurred and is continuing, the Declaration provides a mechanism whereby the holders of the PreTS[sm] (which will include the Issuer) may direct the Institutional Trustee, to the fullest extent permitted by law, to enforce its rights under the Corresponding Debentures. Subject to certain limitations in the related Affiliated Depository Institution HC Indenture, holders of not less than 25% in aggregate principal amount of the PreTS[sm] may to the fullest extent permitted by law institute a legal proceeding against the Affiliated Depository Institution HC to enforce the Institutional Trustee's rights under the Corresponding Debentures without first instituting any legal proceedings against the Institutional Trustee or any other person or entity. Notwithstanding the foregoing, if a Declaration Event of Default has occurred and is continuing and such event is attributable to the failure of the Affiliated Depository Institution HC to pay principal or interest on the Corresponding Debentures on the respective dates such principal or interest is payable (or in the case of redemption, on the Redemption Date) and, in the case of interest, such interest is not deferred, then holders of not less than 25% in aggregate principal amount of the PreTS[sm] may institute a direct cause of action for payment on or after the respective due dates specified in the Corresponding Debentures. See "—Voting".

Subordinated Debentures. If any Subordinated Debenture Issuer fails to make interest or other payments on its Subordinated Debenture when due or another default under the related Subordinated Debenture Indenture has occurred and is continuing, such Subordinated Debenture Indenture provides a mechanism whereby the holders of not less than 25% in aggregate principal amount of such Subordinated Debenture (which will include the Issuer) may direct the Subordinated Debenture Trustee, to the fullest extent permitted by law, to enforce its rights under such Subordinated Debenture. There may be legal limitations on the ability of the related Subordinated Debenture Issuer to make payments. See "Risk Factors—Risk Factors Relating to the D-Capital Securities—*18. Nature of the PreTS[sm], the Trust Preferred D-SMS and the related Corresponding Debentures; Nature of the Subordinated Debenture issued by a Depository Institution Holding Company*", "*—19. Nature of the Subordinated Debentures issued by Depository Institutions*" and "—Voting".

General. The provisions described above are intended to enable the Trustee to effectively enforce the Noteholders' rights if a default occurs on any Subordinated Debenture or any PreTS[sm] or Corresponding Debentures. The Indenture will provide that if such a default occurs, the Requisite Noteholders will have the right to direct the Trustee with respect to any action to be taken by the Trustee, including, without limitation, engaging in restructuring efforts, bringing enforcement proceedings, engaging investment banking or asset management firms, disposing of defaulted Capital Securities and/or taking any other measures. Because of the illiquid nature of the Subordinated Debentures, the PreTS[sm] and the Trust Preferred D-SMS, it is unlikely that the Trustee would be able to sell a defaulted Subordinated Debenture, a defaulted PreTS[sm], a defaulted Trust Preferred D-SMS or, upon a Liquidation, a Corresponding Debenture, as the case may be, on economically

acceptable terms. In addition, if a breach of a representation or warranty in an Underlying Instrument for a Capital Security (or the related Affiliated Depository Institution HC Indenture, the related placement agreement or certain other related documents) occurs and materially adversely affects the Issuer as the holder of such Capital Security, then the Requisite Noteholders may direct the Trustee to exercise the Issuer's rights under those documents, which may include the disposition of such Capital Security. No assurance can be given that such a disposition will be possible. However, no such disposition in connection with such breach of representation or warranty shall be made unless the Trustee receives a confirmation from each Rating Agency that such disposition will not result in the reduction, withdrawal or negative qualification of its then current ratings for the Senior Notes or Mezzanine Notes. The Trustee will be fully protected with respect to any action taken by it in reasonable good faith at the direction of the Requisite Noteholders.

PreTS[sm] Guarantee

In respect of the PreTS[sm] issuances, each Affiliated Depository Institution HC will irrevocably and unconditionally agree, to the extent set forth in its PreTS[sm] Guarantee, to pay in full, to holders of the PreTS[sm] issued by its subsidiary PreTS[sm] Issuer (except to the extent paid by the PreTS[sm] Issuer), as and when due, regardless of any defense, right of set-off or counterclaim which the PreTS[sm] Issuer may have or assert: (i) any accrued and unpaid distributions which are required to be paid on the PreTS[sm], to the extent the PreTS[sm] Issuer shall have funds available therefor; (ii) the applicable redemption price of any PreTS[sm] called for redemption by such PreTS[sm] Issuer, to the extent the PreTS[sm] Issuer has funds available therefor; and (iii) upon Liquidation of such PreTS[sm] Issuer (other than in connection with the distribution of the Corresponding Debentures to holders of the PreTS[sm] in exchange therefor), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on such PreTS[sm] to the date of payment, to the extent such PreTS[sm] Issuer has funds available therefor, and (b) the amount of assets of such PreTS[sm] Issuer remaining available for distribution to holders of its PreTS[sm] in Liquidation of such PreTS[sm] Issuer. An Affiliated Depository Institution HC's obligation to make a payment under its PreTS[sm] Guarantee may be satisfied by direct payment of the required amounts by such Affiliated Depository Institution HC to the holders of the related PreTS[sm] or by causing such PreTS[sm] Issuer to pay such amounts to such holders.

The PreTS[sm] Guarantees will not apply to any payment of distributions on the PreTS[sm] except to the extent the related PreTS[sm] Issuer has funds available therefor, which funds will not be available except to the extent such PreTS[sm] Issuer's parent Affiliated Depository Institution HC has made payments of interest or principal or other payments on the Corresponding Debentures purchased by such PreTS[sm] Issuer. Because each PreTS[sm] Guarantee is a guarantee of payment and not of collection, holders of PreTS[sm] may proceed directly against the Affiliated Depository Institution HC, rather than having to proceed against the PreTS[sm] Issuer before attempting to collect from the Affiliated Depository Institution HC, and the Affiliated Depository Institution HC waives any right or remedy to require that any action be brought against the PreTS[sm] Issuer or any other person or entity before proceeding against the Affiliated Depository Institution HC.

Each PreTS[sm] Guarantee in respect of a PreTSL III PreTS[sm] will be deposited with U.S. Bank, as guarantee trustee to be held for the benefit of the holder of such PreTS[sm] and each PreTS[sm] Guarantee in respect of the other PreTS[sm] will be deposited with Wilmington Trust, as guarantee trustee to be held for the benefit of the holders of those PreTS[sm]. Except as otherwise noted herein, the guarantee trustee has the right to enforce the PreTS[sm] Guarantee on behalf of holders of the PreTS[sm].

Each Affiliated Depository Institution HC's obligations under its PreTS[sm] Guarantee will be subordinate and junior in right of payment to all present and future Senior Indebtedness of such Affiliated Depository Institution HC and are also effectively subordinated to claims of creditors of the Affiliated Depository Institution HC's subsidiaries. Because each Affiliated Depository Institution HC is a holding company of depository institutions, the right of any Affiliated Depository Institution HC to participate in any distribution of assets of any of its subsidiaries upon such subsidiary's liquidation or reorganization or otherwise is subject to the prior claims of creditors of that subsidiary, except to the extent the Affiliated Depository Institution HC may itself be recognized as a creditor of that subsidiary. Accordingly, an Affiliated

Depository Institution HC's obligations under its PreTS[sm] Guarantee will be effectively subordinated to all existing and future liabilities of such Affiliated Depository Institution HC's subsidiaries, and claimants may look only to the assets of such Affiliated Depository Institution HC for payments thereunder.

PreTS[sm] Liquidation and Distribution Upon Dissolution

In the event of the voluntary or involuntary liquidation, dissolution, winding-up or termination of a PreTS[sm] Issuer (each a "**Liquidation**") other than in connection with a redemption of Corresponding Debentures, holders of the PreTS[sm] will be entitled to receive out of the assets of such PreTS[sm] Issuer available for distribution to holders of the PreTS[sm], after satisfaction of liabilities to creditors of the PreTS[sm] Issuer (to the extent not satisfied by the Affiliated Depository Institution HC), distributions equal to the aggregate of the stated liquidation amount of the PreTS[sm] plus accrued and unpaid distributions thereon to the date of payment (such amount being the "**Liquidation Distribution**"), unless in connection with such Liquidation, the Corresponding Debentures in an aggregate stated principal amount equal to the aggregate stated liquidation amount of such PreTS[sm] are distributed on a *pro rata* basis to holders of the PreTS[sm] in exchange for such PreTS[sm].

Each Affiliated Depository Institution HC has the right at any time to dissolve its subsidiary PreTS[sm] Issuer (including without limitation upon the occurrence of a Special Event), subject to the receipt by such Affiliated Depository Institution HC of prior approval from the Applicable Regulator, if then required under applicable capital guidelines or policies of the Applicable Regulator and, after satisfaction of liabilities to creditors of such PreTS[sm] Issuer, cause the related Corresponding Debentures to be distributed to holders of PreTS[sm] on a *pro rata* basis in accordance with the aggregate stated Principal Balance thereof.

Each PreTS[sm] Issuer will dissolve on the first to occur of (i) the date of expiration of the term of the PreTS[sm] Issuer which is approximately 35 years after the issuance of the related PreTS[sm], the earliest of which dates is July 31, 2036 and the latest of which is December 15, 2041, (ii) the bankruptcy of its parent Affiliated Depository Institution HC or such PreTS[sm] Issuer, (iii) the filing of a certificate of dissolution of its parent Affiliated Depository Institution HC or the revocation of the charter of its parent Affiliated Depository Institution HC, (iv) the distribution to holders of PreTS[sm] Issuer Securities of the related Corresponding Debentures, (v) the entry of a decree of a judicial dissolution of such PreTS[sm] Issuer or its Affiliated Depository Institution HC, or (vi) when all of the PreTS[sm] Issuer Securities have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the holders in accordance with the terms of the PreTS[sm] Issuer Securities. As soon as practicable after the dissolution of the PreTS[sm] Issuer and upon completion of the winding up of the PreTS[sm] Issuer, the PreTS[sm] Issuer shall terminate upon the filing of a certificate of cancellation with the Secretary of State of the State of Delaware.

If a Liquidation occurs as described in clause (i), (ii), (iii) or (v) of the preceding paragraph, a PreTS[sm] Issuer shall be liquidated by distributing to the holders of the PreTS[sm] Issuer Securities, after satisfaction of liabilities to creditors of such PreTS[sm] Issuer, to the extent not satisfied by the Affiliated Depository Institution HC, the related Corresponding Debentures, unless such distribution is determined by the Institutional Trustee not to be practical, in which event such holders will be entitled to receive out of the assets of the PreTS[sm] Issuer available for distribution to holders, after satisfaction of liabilities to creditors of the PreTS[sm] Issuer to the extent not satisfied by the Affiliated Depository Institution HC, an amount equal to the Liquidation Distribution. An early Liquidation of the PreTS[sm] Issuer pursuant to clause (iv) above shall occur only if the Institutional Trustee determines that such Liquidation is possible by distributing to the holders of the PreTS[sm] Issuer Securities, after satisfaction of liabilities to creditors of the PreTS[sm] Issuer to the extent not satisfied by the Affiliated Depository Institution HC, the related Corresponding Debentures, and such distribution occurs.

If, upon any such Liquidation, the Liquidation Distribution can be paid only in part because a PreTS[sm] Issuer has insufficient assets available to pay in full the aggregate Liquidation Distribution and the amount due on its Common Securities, then the amounts payable directly by such PreTS[sm] Issuer shall be paid to the holders of the PreTS[sm] Issuer Securities on a *pro rata* basis. The holders of the Common Securities issued by

the PreTS[sm] Issuer will be entitled to receive distributions upon any such Liquidation *pro rata* with the holders of such PreTS[sm], except that if a Declaration Event of Default has occurred and is continuing in respect of the PreTS[sm] Issuer, the PreTS[sm] shall have a preference over the Common Securities with regard to such distributions.

PreTS[sm] Mergers, Consolidations or Amalgamations

Each Declaration will provide that the PreTS[sm] 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 body, except as described. A PreTS[sm] Issuer may, with the consent of the Institutional Trustee and without the consent of the holders of the PreTS[sm], consolidate, amalgamate, merge with or into, or be replaced by, a trust organized as such under the laws of any state of the U.S.; *provided* that (i) if such PreTS[sm] Issuer is not the survivor, such successor entity either (x) expressly assumes all of the obligations of the PreTS[sm] Issuer under the PreTS[sm] Issuer Securities or (y) substitutes for the PreTS[sm] Issuer Securities other securities having substantially the same terms as the PreTS[sm] Issuer Securities (the "**Successor Securities**"), so that the Successor Securities rank the same as the PreTS[sm] Issuer Securities rank in priority with respect to distributions and payments upon liquidation, redemption and otherwise, (ii) a trustee of such successor entity possessing the same powers and duties as the Institutional Trustee is appointed as the holder of the Corresponding Debentures, (iii) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of such PreTS[sm] Issuer Securities (including any Successor Securities) in any material respect, (iv) the Institutional Trustee receives written confirmation from each Rating Agency that it will not reduce or withdraw its rating of the Senior Notes or the Mezzanine Notes because of such merger, conversion, consolidation, amalgamation or replacement, (v) such successor entity has a purpose substantially identical to that of the PreTS[sm] Issuer, (vi) prior to such merger, consolidation, amalgamation or replacement, the PreTS[sm] Issuer has received an opinion of a nationally recognized independent counsel to the PreTS[sm] Issuer experienced in such matters to the effect that (A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the PreTS[sm] Issuer Securities (including any Successor Securities) in any material respect, (B) following such merger, consolidation, amalgamation or replacement, neither the PreTS[sm] Issuer nor such successor entity will be required to register as an investment company under the Investment Company Act and (C) following such merger, consolidation, amalgamation or replacement, neither the PreTS[sm] Issuer nor such successor entity will be classified as other than a grantor trust for U.S. federal income tax purposes, (vii) the Affiliated Depository Institution HC guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the PreTS[sm] Guarantee, (viii) the Affiliated Depository Institution HC owns 100% of the common securities of any successor entity, and (ix) prior to such merger, consolidation, amalgamation or replacement, the Institutional Trustee must receive an officers' certificate and an opinion of counsel, each to the effect that all of the above conditions precedent have been satisfied.

DESCRIPTION OF THE I-CAPITAL SECURITIES DOCUMENTS

Terms of the I-Capital Securities

Terms of the I-PreTS[sm]

The I-PreTS[sm] issued by each I-PreTS[sm] Issuer will be issued pursuant to the terms of an Amended and Restated Declaration of Trust (in respect of such I-PreTS[sm] Issuer, the "**Declaration**"). Wilmington Trust acts or will act as trustee under the Declaration in respect of the I-PreTS[sm] Issuers. The trustee of an I-PreTS[sm] Issuer is referred to as the "**Institutional Trustee**" in respect of such I-PreTS[sm] Issuer. The I-PreTS[sm] Issuers have been or will be organized as statutory trusts under the laws of the State of Delaware. The parent Affiliated Insurance HC of each I-PreTS[sm] Issuer owns or will own all of the beneficial interests represented by common securities of such I-PreTS[sm] Issuer (the "**Common Securities**" of such I-PreTS[sm] Issuer and together with the related I-PreTS[sm], the "**I-PreTS[sm] Issuer Securities**"). The I-PreTS[sm] and the Common Securities of an I-PreTS[sm] Issuer evidence the *pro rata* beneficial ownership in the Corresponding Debentures owned by that I-PreTS[sm] Issuer.

The summary of the material terms and provisions of the I-PreTS[sm] contained in this Offering Circular does not purport to be complete and is subject to and qualified in its entirety by reference to the respective Declarations and Corresponding Debentures. Copies of the form of Declaration and the form of Corresponding Debenture in respect of the I-PreTS[sm] may be obtained by Noteholders upon request in writing to the applicable Institutional Trustee at its Corporate Trust Office and by prospective purchasers of Notes from the Placement Agents.

Each I-PreTS[sm] Issuer has used or will use the proceeds from its sale of its I-PreTS[sm] Issuer Securities to purchase the junior subordinated deferrable interest debentures issued by its parent Affiliated Insurance HC (in respect of such I-PreTS[sm] Issuer, the "**Corresponding Debentures**"). Each I-PreTS[sm] Issuer's only sources of funds to make distributions on its I-PreTS[sm] will be payments it receives from its Affiliated Insurance HC on its Corresponding Debentures. Payments on the I-PreTS[sm] issued by each I-PreTS[sm] Issuer will be guaranteed to the extent described herein by its Affiliated Insurance HC (in respect of such I-PreTS[sm] Issuer, the "**I-PreTS[sm] Guarantee**"). The I-PreTS[sm] will be issued in definitive form, will be denominated in a Liquidation Amount that will be equal to approximately 97% of the principal amount of the related Corresponding Debentures and will only receive payments on a *pro rata* basis in respect of Corresponding Debentures with an initial principal balance equal to such Liquidation Amount.

Terms of the I-DS

One I-DS has been or will be issued pursuant to the terms of an indenture (an "**I-DS Indenture**"). Wilmington Trust acts or will act as trustee under the I-DS Indenture. Two I-DS have been or will be issued pursuant to the terms of a trust deed (each, an "**I-DS Trust Deed**"). Wilmington Trust (Channel Islands) Limited acts or will act as trustee under the I-DS Trust Deeds. The I-DS will be issued in definitive form.

The summary of the material terms and provisions of the I-DS contained in this Offering Circular does not purport to be complete and is subject to and qualified in its entirety by reference to the respective Indentures. Copies of the form of I-DS Indenture or I-DS Trust Deeds in respect of the I-DS may be obtained by Noteholders upon request in writing to the applicable Institutional Trustee at its Corporate Trust Office and by prospective purchasers of Notes from the Placement Agents.

Terms of the Surplus Notes

Each Surplus Note issued by a Surplus Note Issuer has been or will be issued pursuant to the terms of an indenture (the "**Surplus Note Indenture**"). Wilmington Trust acts or will act as trustee under the Surplus Note Indenture in respect of each Surplus Note Issuer (each a "**Surplus Note Trustee**"). The Surplus Note will be issued in definitive form.

The summary of the material terms and provisions of the Surplus Notes contained in this Offering Circular does not purport to be complete and is subject to and qualified in its entirety by reference to the Surplus Notes and the respective Surplus Note Indenture. The regulation of and authority for the issuance of the Surplus Notes is governed by the laws of the states having jurisdiction over the applicable Surplus Note Issuer. The Surplus Notes and the Surplus Note Indentures are intended to meet the requirements of the states that have jurisdiction over the applicable Surplus Note Issuer. Furthermore, the form and terms and provisions of each Surplus Note and Surplus Note Indenture have been approved by the Applicable Regulator of the Surplus Note Issuer issuing the Surplus Note. Therefore, a particular Surplus Note or Surplus Note Indenture may differ in some respects from the description set forth herein because the regulatory framework that governs the issuance of the Surplus Notes varies from state to state. Copies of the form of the Surplus Note Indenture in respect of the Surplus Notes may be obtained by Noteholders upon request in writing to the applicable Surplus Notes Trustee at its Corporate Trust Office and by prospective purchasers of Notes from the Placement Agents.

Terms of the I-SMS

The Issuer will purchase the I-SMS from the Placement Agents or one or more of their affiliates, which will have purchased the I-SMS in the secondary market. Consequently, the I-SMS were originated under documentation that is not the same as the documentation for the I-DS or the Surplus Notes. The terms of the I-SMS differ in various respects, some of which may be material, from the terms of the I-DS and the Surplus Notes. To the extent the Issuer possesses documentation for the I-SMS, the Issuer will make the documentation available to prospective purchasers upon written request. Only the major structural terms of the I-SMS are set forth below.

Distributions on the I-Capital Securities

Annex E hereto contains a summary of the payment terms and relevant dates of the I-PreTS[sm], the I-DS, the Surplus Notes and the I-SMS. The remainder of this section must be read in conjunction with Annex E hereto.

Distributions on the I-PreTS[sm].

Distributions on the I-PreTS[sm] will be payable quarterly in arrears on the Capital Security Payment Dates set forth in Annex E hereto, or if any such day is not a Business Day, the next succeeding Business Day.

Distributions will accrue and be payable on the I-PreTS[sm] (i) during their respective Capital Securities Fixed Rate Periods, at the fixed rate of interest specified in Annex E, and (ii) after their respective Capital Securities Fixed Rate Periods, at LIBOR for the related quarterly period plus a margin specified in Annex E for each I-PreTS[sm].

Distributions on the I-PreTS[sm] that are in arrears for more than one quarterly period will bear interest, compounded quarterly if not timely paid (to the extent lawful), at the applicable rate. With respect to the I-PreTS[sm], LIBOR for such a quarterly period will be calculated on the related LIBOR Determination Date.

Distributions on the I-PreTS[sm] will be payable only to the extent that payments are made in respect of the Corresponding Debentures and to the extent the I-PreTS[sm] Issuer has funds available therefor. Distributions on an I-PreTS[sm] will accrue during the period from and including the preceding Capital Security Payment Date in respect of the related I-PreTS[sm] (or the issue date, in the case of the first Capital Security Payment Date) to but excluding the current Capital Security Payment Date. Except during each respective Capital Securities Fixed Rate Period, the amount of distributions payable for any period will be computed on the basis of the actual number of days in the related period and a 360-day year. With respect to each respective Capital Securities Fixed Rate Period for the I-PreTS[sm], the amount of distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months.

Each Affiliated Insurance HC has the right to defer payments of interest on its Corresponding Debentures, so long as no "event of default" with respect to such Corresponding Debenture has occurred and is continuing, by extending the interest payment period thereunder at any time, and from time to time, for up to 20 consecutive quarterly periods (each, an "**Extension Period**"); *provided* that no Extension Period may extend beyond the maturity date of the related I-PreTS[sm] issued by its subsidiary I-PreTS[sm] Issuer. During any Extension Period, interest will continue to accrue on the Corresponding Debentures at the applicable rate as calculated in the preceding paragraph, and interest on such deferred interest ("**Additional Interest**") shall also accrue at such rate, compounded quarterly, from the date such deferred interest would have been payable were it not for the Extension Period, both to the extent permitted by law. Interest that is accrued and unpaid on any I-PreTS[sm] or the Corresponding Debentures and is deferred as described above, and Additional Interest thereon as described above, is referred to as "**Deferred Interest**". At the end of any such Extension Period, such Affiliated Insurance HC will be required to pay to the applicable I-PreTS[sm] Issuer, and such I-PreTS[sm] Issuer will be required to pay to the Issuer, to the extent allocable to the I-PreTS[sm], all interest then accrued and unpaid on the Corresponding Debentures (including Deferred Interest). During any Extension Period,

Distributions on the Common Securities shall be deferred for a period equal to the Extension Period. The Holders of the Income Notes, in their sole discretion, may purchase any I-PreTS[sm] that is a Defaulted Security in the manner and subject to the limitations described under "Description of the Notes—Redemption and Prepayments—*Redemption upon Default or Extension of Capital Securities*".

Prior to the termination of any Extension Period, an Affiliated Insurance HC may further extend such period; *provided* that such period together with all such previous and further consecutive extensions thereof may not exceed 20 consecutive quarterly Extension Periods, or extend beyond the maturity date of the Corresponding Debentures. Upon the termination and non-extension of any Extension Period and upon the payment of all accrued and unpaid interest (including Deferred Interest), an Affiliated Insurance HC may commence a new Extension Period, subject to the foregoing requirements.

During any Extension Period, the applicable Affiliated Insurance HC will not, and will not permit any of its Affiliates controlled by it to, except in certain limited circumstances, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of its (or such Affiliate's) capital stock, equity interests or share capital, as the case may be (other than payments of dividends or distributions to such Affiliated Insurance HC or a subsidiary of such Affiliated Insurance HC) or make any guarantee payments with respect to the foregoing, (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any of its debt securities (or any debt securities of such Affiliate) that rank *pari passu* in all respects with or junior in interest to the related Corresponding Debentures, or (iii) enter into, amend or modify any contract with a shareholder holding more than 10% of the outstanding shares of common stock of the Affiliated Insurance HC that could require cash payments by the Affiliated Insurance HC to such shareholder unless such contract is for the provision of services and entered into on an arm's length basis in the ordinary course of business.

During an Extension Period on any Corresponding Debentures, the I-PreTS[sm] Issuer holding such Corresponding Debentures will similarly defer distributions on its I-PreTS[sm]. If distributions on any I-PreTS[sm] are deferred as a result of an Extension Period, the distributions due will be paid on the date on which the related Extension Period terminates.

Payments on the I-DS

Payments on the I-DS will be payable quarterly in arrears on the dates set forth in Annex E hereto, or if any such day is not a Business Day, the next succeeding Business Day.

As used herein, "**Floating I-DS**" means the I-DS on which interest will accrue and be payable at a per annum rate equal to LIBOR (as determined by the Calculation Agent) for the related quarterly period plus the margin specified in Annex E.

As used herein, "**Fixed/Floating I-DS**" means the I-DS on which interest will accrue and be payable (i) during the related Capital Security Fixed Rate Period, at the fixed rate of interest specified in Annex E, and (ii) after the Capital Security Fixed Rate Period, at LIBOR for the related quarterly period plus a margin specified in Annex E for the Fixed/Floating I-DS.

Interest on the I-DS will accrue during the period from and including a Capital Security Payment Date in respect of the related I-DS (or the date of the related issuance, in the case of the first Capital Security Payment Date) to but excluding the next succeeding Capital Security Payment Date, and LIBOR for each quarterly period in respect of such I-DS will be calculated two London Banking Days preceding each Capital Security Payment Date. LIBOR for the first quarterly period in respect of each of the I-DS is specified in Annex E.

Except during the Capital Security Fixed Rate Period for the Fixed/Floating I-DS, the amount of interest payable for any quarterly period will be computed on the basis of the actual number of days in such

quarterly period and a 360-day year. With respect to the Capital Security Fixed Rate Period for the Fixed/Floating I-DS, the amount of distributions payable for any quarterly period will be computed on the basis of a 360-day year of twelve 30-day months.

The Holders of the Income Notes, in their sole discretion, may purchase any I-DS that is a Defaulted Security in the manner and subject to the limitations described under "Description of the Notes—Redemption and Prepayments—*Redemption upon Default or Extension of Capital Securities*".

Payments on the Surplus Notes

Payments on the Surplus Notes will be payable quarterly in arrears on the dates set forth in Annex E hereto, or if any such day is not a Business Day, the next succeeding Business Day.

Interest will accrue and be payable on the Surplus Notes (i) during the related Capital Security Fixed Rate Period, at the fixed rate of interest specified in Annex E, and (ii) after the Capital Security Fixed Rate Period, at LIBOR for the related quarterly period plus a margin (specified in Annex E) for each Surplus Note.

Interest on the Surplus Notes will accrue during the period from and including a Capital Security Payment Date in respect of the related Surplus Note (or the date of the related issuance, in the case of the first Capital Security Payment Date) to but excluding the next succeeding Capital Security Payment Date, and LIBOR for each quarterly period in respect of such Surplus Note will be calculated two London Banking Days preceding each Capital Security Payment Date. LIBOR for the first quarterly period in respect of each of the Surplus Notes is specified in Annex E.

Except during the Capital Security Fixed Rate Period for the Surplus Notes, the amount of interest payable for any quarterly period will be computed on the basis of the actual number of days in such quarterly period and a 360-day year. With respect to each Capital Security Fixed Rate Period for the Surplus Notes, the amount of distributions payable for any quarterly period will be computed on the basis of a 360-day year of twelve 30-day months.

Notwithstanding anything to the contrary set forth in the applicable Surplus Note Indenture, any payment of interest on or principal (including premium, if any) of the Surplus Notes (and any payment of the redemption price in connection with any redemption of the Surplus Notes) may be made only (i) with the prior approval of the Applicable Regulator, (ii) out of any funds of the Surplus Note Issuers (including the earned surplus of the Surplus Note Issuers) legally available to make any payments with respect to the Surplus Notes under applicable law and regulations of the state whose laws govern the payment of the Surplus Notes and (iii) to the extent that any such payment is permitted by applicable law and regulations of the state whose laws govern the payment of the Surplus Notes by the Surplus Note Issuers (the conditions set forth in the foregoing clauses (i), (ii) and (iii) are referred to herein collectively as the "**Payment Restrictions**"). In addition, the applicable insurance statutes and regulations of some jurisdictions as well as the orders approving the issuance of certain of the Surplus Notes may provide caps or other limits on the amount of interest that may be paid on, or prohibit sales commissions or fees with respect to, Surplus Notes issued by a Surplus Note Issuer domiciled and/or licensed in such jurisdiction. In such event, a Surplus Note Issuer may be required to take certain other action in connection with its issuance of Surplus Notes (e.g., enter into an interest rate swap or other financial undertaking) as a condition to such Surplus Note Issuer's issuance thereof; *provided*, *however*, that there is no assurance that any or all Surplus Note Issuers subject to such condition have or will take any such actions. Each Surplus Note Issuer has covenanted and agreed or will covenant and agree that it will (x) use its best efforts to obtain the approval of the Applicable Regulator to make payments of interest on or principal (including premium, if any) of the Surplus Notes and (y) subject to the Payment Restrictions, duly and punctually pay or cause to be paid the principal and premium, if any, of and interest on the Surplus Notes at the place, at the respective times and in the manner provided in the Surplus Note Indenture and the Surplus Notes; *provided*, *however*, that no payment of principal (including premium, if any) and interest shall be permitted on the Surplus Notes by the Surplus Note Issuers without the prior approval of the Applicable Regulator. To the

extent that a payment of all or a portion of the principal of a Surplus Note or interest thereon is prohibited by the Payment Restrictions, such prohibition shall not be considered to be a forgiveness of such indebtedness, and interest shall continue to be accrued and paid at the rate provided in the Surplus Note, and promptly (and in no event later than thirty (30) days) after the removal, if any, of any such prohibition the Surplus Note Issuer shall make payment of all amounts then past due and owing under the Surplus Note and provide the Surplus Note Trustee with notice of removal of any such prohibition; *provided*, *however*, that no additional interest shall accrue or be payable on any payment of interest that is not made when due as a result of a Payment Restriction. The interest rate borne by a Surplus Note will not be higher than the maximum rate then permitted by the law and regulations of the state whose laws govern the payment of Surplus Notes by the Surplus Note Issuers.

The Holders of the Income Notes, in their sole discretion, may purchase any Surplus Note that is a Defaulted Security in the manner and subject to the limitations described under "Description of the Notes—Redemption and Prepayments—*Redemption upon Default or Extension of Capital Securities*".

Payments and Distributions on the I-SMS

Payments and distributions on the I-SMS are payable as shown in Annex E. Three I-SMS Issuers may defer payments of interest on their respective I-SMS for up to 20 consecutive quarterly periods (or the equivalent thereof) on terms similar to those described above for an Affiliated Insurance HC of the I-PreTS[sm] Issuer.

Redemption and Prepayments of the I-Capital Securities

Each I-PreTS[sm] Issuer will redeem its respective I-PreTS[sm] when the related Corresponding Debentures are paid at maturity on the respective maturity dates specified in Annex E or upon earlier redemption of any such Corresponding Debentures.

The Corresponding Debentures may be redeemed by the issuing Affiliated Insurance HC, in whole or in part, on any Capital Security Payment Date in respect of the related I-PreTS[sm], on or after the related First Call Date, at the Optional Redemption Price. In addition, the Corresponding Debentures issued to each I-PreTS[sm] Issuer may be redeemed by the issuing Affiliated Insurance HC at the Special Redemption Price, in whole but not in part, at any time, upon the occurrence and continuation of a Special Event, on any respective Capital Security Payment Date within 120 days following the occurrence of the applicable Special Event (the "**Special Redemption Date**" in respect of such Capital Security), upon not less than 30 nor more than 60 days' notice, so long as the Special Event is continuing. A "**Special Event**" in respect of the I-PreTS[sm] will include any Tax Event or Investment Company Event.

Upon the maturity or redemption in whole or in part of the Corresponding Debentures of any Affiliated Insurance HC (other than following the distribution of such Corresponding Debentures to holders of the related I-PreTS[sm]), the proceeds from such repayment or payment received by any I-PreTS[sm] Issuer that are allocable to the related I-PreTS[sm] shall concurrently be applied to redeem at the applicable Redemption Price, the related I-PreTS[sm] having an aggregate Principal Balance equal to the aggregate principal amount of the Corresponding Debentures so repaid or redeemed that are allocable to such I-PreTS[sm].

The I-DS are due on the dates set forth in Annex E, to the extent not previously redeemed. The I-DS may be redeemed by the I-DS Issuer, in whole or in part, on any of its Capital Security Payment Dates on or after its First Call Date at the Optional Redemption Price. In addition, two of the I-DS with an aggregate Principal Balance of U.S.$75,000,000 may be redeemed by the respective I-DS Issuer at the Special Redemption Price, in whole but not in part, at any time, upon the occurrence and continuation of a Tax Event in respect of the I-DS Issuer, on any Capital Security Payment Date within 120 days following the occurrence of a Tax Event (the "**Special Redemption Date**" in respect of such I-DS).

The Surplus Notes are due on the dates set forth in Annex E, to the extent not previously redeemed. Payment upon maturity of a Surplus Note by the related Surplus Note Issuer will be subject to regulatory approval by the Applicable Regulators.

The Surplus Notes may be redeemed by the issuing Surplus Note Issuers, in whole or in part, at any time and from time to time on or after the First Call Date, at the Optional Redemption Price. In addition, the Surplus Notes may be redeemed by the issuing Surplus Note Issuers at the Special Redemption Price, in whole but not in part, at any time, upon the occurrence and continuation of a Tax Event in respect of the Surplus Note Issuers, on any Capital Security Payment Date within 120 days following the occurrence of a Tax Event (the "**Special Redemption Date**" in respect of the Surplus Notes), upon not less than 30 nor more than 60 days' notice, so long as the Tax Event is continuing. In all cases, the right of a Surplus Note Issuer to redeem its Surplus Note is subject to receipt of prior approval of the Applicable Regulator.

The I-SMS are due on the dates set forth in Annex E, to the extent not previously redeemed. One I-SMS with a Principal Balance of U.S.$20,000,000 may be redeemed in whole or in part at any time upon the payment of a "make-whole" redemption price plus accrued interest to the date of redemption, in accordance with the terms of the related I-SMS. See "*—Redemption Price of the I-SMS*". Four I-SMS with an aggregate Principal Balance of U.S.$77,700,000 may be redeemed by the related I-SMS Issuer, in whole or in part, on any Capital Security Payment Date on or after its First Call Date, at the Optional Redemption Price. In addition, such I-SMS may be redeemed by the related I-SMS Issuer at the Special Redemption Price, in whole, but not in part, prior to its First Call Date at any time upon the occurrence and continuation of a Special Event. See "*—Redemption Price of the I-SMS*". A "Special Event" in respect of each such I-SMS will include any related Tax Event and in respect of two such I-SMS will also include any related Investment Company Event.

"**Tax Event**" means:

(a) *with respect to any I-PreTS*^{sm}, the receipt by an Affiliated Insurance HC and its subsidiary I-PreTS^{sm} 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, field service advice, regulatory procedure, notice or announcement, including any notice or announcement of intent to adopt such procedures or regulations (also 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 Affiliated Insurance HC or such I-PreTS^{sm} 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 Corresponding Debentures, there is more than an insubstantial risk that: (i) such I-PreTS^{sm} Issuer is, or will be within 90 days of the date of such opinion, subject to U.S. federal income tax with respect to income received or accrued on the Corresponding Debentures; (ii) interest payable by the Affiliated Insurance HC on its Corresponding Debentures is not, or within 90 days of the date of such opinion, will not be, deductible by the Affiliated Insurance HC, in whole or in part, for U.S. federal income tax purposes; or (iii) such I-PreTS^{sm} Issuer is, or will be within 90 days of the date of such opinion, subject to more than a *de minimis* amount of other taxes (excluding withholding taxes), duties or other governmental charges;

(b) *with respect to the I-DS*, the receipt by the I-DS Issuer of a certificate of the I-DS Issuer which states that on the next Interest Payment Date the Issuer would be required to pay Additional Sums (see "—Description of the I-DS—*Additional Sums*") and cannot be avoided by the Issuer taking reasonable measures available to it and an opinion of independent legal counsel of recognized standing to the effect that the Issuer has or will become obliged to pay Additional Sums;

(c) *with respect to any Surplus Note*, the receipt by the Surplus 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 as a result of any official 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 the Surplus Note 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 Surplus Note there is more than an insubstantial risk that interest payable by the Surplus Note Issuer on the Surplus Note is not, or within 90 days of the date of such opinion, will not be, deductible by the Surplus Note Issuer, in whole or in part, for United States federal income tax purposes;

(d) *with respect to two I-SMS with an aggregate Principal Balance of U.S.$30,000,000*, the receipt by the I-SMS Issuer of an opinion of counsel experienced in such matters to the effect that, as a result of (a) 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 (b) any judicial decision or Administrative Action, regardless of whether such judicial decision or Administrative Action is issued to or in connection with a proceeding involving the I-SMS Issuer and whether or not subject to review or appeal, which amendment, change, judicial decision or Administrative Action is enacted, promulgated or announced, in each case, on or after the date of original issuance of the I-SMS, there is more than an insubstantial risk that interest payable by the I-SMS Issuer on the I-SMS is not, or within ninety (90) days of the date of such opinion, will not be, deductible by the I-SMS Issuer, in whole or in part, for United States federal income tax purposes, or that the I-SMS Issuer will be subject to more than a *de minimis* amount of other taxes, duties or other governmental charges;

(e) *with respect to one I-SMS with a Principal Balance of U.S.$36,700,000*, the receipt by the I-SMS Issuer of an opinion of counsel experienced in such matters to the effect that, as a result of (a) any amendment to or change (including any announced prospective change) in the treaties or laws or any regulations thereunder of Bermuda or any taxing jurisdiction having jurisdiction over the I-SMS Issuer or any political subdivision or taxing authority thereof or therein or any change in the application or official interpretation of such treaties, laws or regulations or (b) any judicial decision or Administrative Action, regardless of whether such judicial decision or Administrative Action is issued to or in connection with a proceeding involving the Company and whether or not subject to review or appeal, which amendment, change, judicial decision or Administrative Action is enacted, promulgated or announced, in each case, on or after the date of issuance of the I-SMS, there is more than an insubstantial risk that (i) the I-SMS Issuer is, or will be as of the next Capital Security Payment Date, required to pay additional amounts as may be necessary so that every net payment of principal, premium, if any, interest or any other amount made, after such withholding or deduction, shall not be less than the amount provided for in such I-SMS and the related I-SMS indenture to be then due and payable or (ii) interest payable by the I-SMS Issuer on the I-SMS is not, or as of the next Interest Payment Date, will not be, deductible by the I-SMS Issuer, in whole or in part, for United States federal income tax purposes; and

(f) *with respect to one I-SMS with a Principal Balance of U.S.$11,000,000*, the receipt by the I-SMS Issuer of a certificate of the I-SMS Issuer which states that on the next Interest Payment Date the Issuer would be required to pay additional amounts and cannot be avoided by the Issuer taking reasonable measures available to it and an opinion of independent legal counsel of recognized standing to the effect that the Issuer has or will become obliged to pay Additional Sums.

"**Investment Company Event**" means:

(a) *with respect to any I-PreTS℠*, the receipt by the related I-PreTS℠ Issuer and the related Affiliated Insurance HC of an opinion of counsel experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or written change (including any announced prospective 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 I-PreTS[sm] Issuer is or, within 90 days of such opinion, will be considered an "investment company" that is required to be registered under the Investment Company Act, which change or prospective change becomes effective or would become effective, as the case may be, on or after the date of the issuance of the Corresponding Debentures; and

(b) *with respect to three I-SMS with an aggregate Principal Balance of U.S.$57,700,000*, the receipt by the I-SMS Issuer of an opinion of counsel experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation (including any announced prospective change) or a 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 the I-SMS Issuer is or, within ninety (90) days of the date of such opinion will be, considered an "investment company" that is required to be registered under the Investment Company Act, which change or prospective change becomes effective or would become effective, as the case may be, on or after the date of original issuance of the I-SMS.

Redemption Price of the I-PreTS[sm]

Optional Redemption Price. In the event of an optional redemption on any Capital Security Payment Date on or after its First Call Date, the redemption price of the Corresponding Debentures allocable to the related I-PreTS[sm] required to be paid by the applicable Affiliated Insurance HC to its subsidiary I-PreTS[sm] Issuer and by such I-PreTS[sm] Issuer to the Issuer will be 100.0% of the principal amount of such Corresponding Debentures being redeemed (also an "**Optional Redemption Price**" for the I-PreTS[sm]) plus accrued and unpaid interest (including Deferred Interest) on such Corresponding Debentures to the Redemption Date.

Special Redemption Price. In the event of a redemption of an I-PreTS[sm] as a result of a Special Event, the redemption price of the Corresponding Debentures (also a "**Special Redemption Price**") required to be paid by its Affiliated HC to its subsidiary I-PreTS[sm] Issuer will generally be (1) if the Redemption Date is before the First Call Date in respect of the Corresponding Debentures, the greater of (a) 107.5% of the principal amount of such Corresponding Debentures being redeemed, plus accrued and unpaid interest (including any Deferred Interest) on such Corresponding Debentures to the Redemption Date and (b) as determined by the quotation agent under the I-PreTS[sm] Indentures, the sum of (i) the present values of the scheduled payments of principal and interest on such Corresponding Debentures from such Special Redemption Date to such First Call Date (assuming such Corresponding Debentures matured on the First Call Date), discounted to the Special Redemption Date on a quarterly basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (a yield determined in accordance with the Affiliated HC Indenture and based on a United States Treasury security with a maturity comparable to the period from the Special Redemption Date to the First Call Date), plus (ii) accrued and unpaid interest (including any Deferred Interest) on such Corresponding Debentures to the Redemption Date and (2) if the Redemption Date is on or after the First Call Date in respect of the Corresponding Debentures, 100.0% of the principal amount of the Corresponding Debentures being redeemed, plus accrued and unpaid interest (including any Deferred Interest) on such Corresponding Debentures to the Redemption Date.

Redemption Price of the I-DS

Optional Redemption Price. In the event of an optional redemption on any Capital Security Payment Date on or after its First Call Date, the redemption price of the I-DS required to be paid by the related I-DS Issuer to the Issuer will be 100.0% of the principal amount of the I-DS being redeemed (also an "**Optional Redemption Price**" for the I-DS) plus accrued and unpaid interest on the I-DS to the Redemption Date.

Special Redemption Price. In the event of a redemption of an I-DS as a result of a Tax Event, the redemption price of the I-DS (also a "**Special Redemption Price**") required to be paid by the I-DS Issuer will generally be (1) if the Special Redemption Date occurs before the First Call Date, 107.5% of the principal amount of such I-DS being redeemed on a Special Redemption Date that occurs before the related First Call Date and (ii) 100.0% of the principal amount of the I-DS being redeemed on a Special Redemption Date that

occurs on or after the related First Call Date, plus accrued and unpaid interest (including any Deferred Interest) on such I-DS to such Special Redemption Date.

Redemption Price of the Surplus Notes

Optional Redemption Price. In the event of an optional redemption on any respective Capital Security Payment Date on or after its First Call Date, the redemption price of the Surplus Notes required to be paid by the applicable Surplus Note Issuer to the Issuer will be 100% of the principal amount of the Surplus Note being redeemed (also an "**Optional Redemption Price**" for the Surplus Note) plus accrued and unpaid interest on such Surplus Note to the Redemption Date.

Special Redemption Price. In the event of a redemption of a Surplus Note as a result of a Tax Event, the redemption price of the Surplus Note (also a "**Special Redemption Price**") required to be paid by the applicable Surplus Note Issuer to the Issuer will generally be (1) if the Special Redemption Date occurs before the First Call Date, the greater of (a) 107.5% of the principal amount of the Surplus Note, plus accrued and unpaid interest on such Surplus Note to the Special Redemption Date or (b) as determined by the quotation agent under the related Surplus Note Indentures, the sum of (i) the present values of the scheduled payments of principal and interest payable on the Surplus Note during the period from such Special Redemption Date to such First Call Date (assuming such Surplus Note matured on the First Call Date), discounted to the Special Redemption Date on a quarterly basis (assuming a 360-day year consisting of twelve 30-day months at the Treasury Rate (a yield determined in accordance with the Surplus Note Indenture and based on a United States Treasury security with a maturity comparable to the period from the Special Redemption Date to the First Call Date)) plus (ii) accrued and unpaid interest on the Surplus Note to such Special Redemption Date or (2) if the Special Redemption Date occurs on or after the First Call Date, 100% of the principal amount of the Surplus Note being redeemed plus accrued and unpaid interest on such Surplus Note to such Special Redemption Date.

Redemption Price of I-SMS

The "**Optional Redemption Price**" of each I-SMS is as follows:

In the event of a redemption of any of four I-SMS with an aggregate Principal Balance of U.S.$77,700,000, on or after its First Call Date, the redemption price of the I-SMS required to be paid by the applicable I-SMS Issuer to the Issuer will be 100.0% of the principal amount of such I-SMS being redeemed (the "**Optional Redemption Price**" for such I-SMS) plus accrued and unpaid interest (including any Deferred Interest) of such I-SMS to the Redemption Date.

In the event of a redemption of one I-SMS with a Principal Balance of U.S.$20,000,000, at any time or from time to time, the redemption price of the I-SMS required to be paid by the I-SMS Issuer to the Issuer will be equal to the greater of (a) 100% of the principal amount of such I-SMS to be redeemed or (b) the sum of the present values of the remaining scheduled payments of principal and interest on the I-SMS being redeemed, discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the treasury rate (as determined in the Underlying Instrument) plus 50 basis points (the "**Optional Redemption Price**" for such I-SMS) plus any accrued and unpaid interest on such I-SMS to the Redemption Date.

The "**Special Redemption Price**" of each I-SMS is as follows:

In the event of a redemption of any of two I-SMS with an aggregate Principal Balance of U.S.$30,000,000 as a result of a Special Event, the redemption price (the "**Special Redemption Price**" for such I-SMS) of the I-SMS required to be paid by the designated I-SMS Issuer to the Issuer will generally be (i) 107.5% of the principal amount of such I-SMS being redeemed on a Special Redemption Date that occurs before the related First Call Date and (ii) 100.0% of the principal amount of the I-SMS being redeemed on a

Special Redemption Date that occurs on or after the related First Call Date, plus accrued and unpaid interest (including any Deferred Interest) on such I-SMS to such Special Redemption Date.

In the event of a redemption of one I-SMS with a Principal Balance of U.S.$11,000,000 as a result of a Special Event, on or after its First Call Date, the redemption price of the I-SMS required to be paid by the applicable I-SMS Issuer to the Issuer will be 100% of the principal amount of such I-SMS being redeemed (the "**Special Redemption Price**" for such I-SMS) plus accrued and unpaid interest (including any Deferred Interest) on such I-SMS to the Redemption Date.

In the event of a redemption of one I-SMS with a Principal Balance of U.S.$36,700,000 as a result of a Special Event, the redemption price of the I-SMS (the "**Special Redemption Price**" for such I-SMS) required to be paid by the applicable I-SMS Issuer will be the following amounts expressed as a percentage of the principal amount of such I-SMS being redeemed, plus accrued and unpaid interest (including Deferred Interest):

Redemption During the Interest Payment Period	**Redemption Price**
June 15, 2006 – June 14, 2007	105.00%
June 15, 2007 – June 14, 2008	103.75%
June 15, 2008 – June 14, 2009	102.50%
June 15, 2009 – June 14, 2010	101.25%
June 15, 2010 and thereafter	100.00%

Voting

The Issuer will own (a) all of the I-PreTS[sm] issued by one of the two I-PreTS[sm] Issuers and a majority of the I-PreTS[sm] issued by the remaining I- PreTS[sm] Issuer, (b) all of the I-DS issued by two of the I-DS Issuers and a majority of the I-DS issued by the remaining I-DS Issuer, (c) all of the Surplus Notes issued by one of the two Surplus Note Issuers and a majority of the Surplus Notes issued by the remaining Surplus Note Issuer and (d) all of the I-SMS issued by one of the five I-SMS Issuers. As a result, the Issuer will control matters in respect of one of the two I-PreTS[sm], each of the three I-DS, each of the two Surplus Notes and one of the five I-SMS as to which the Issuer is requested to vote or give its consent. The Issuer will own less than a majority of the Principal Balance of (i) I-PreTS[sm] issued by one I-PreTS[sm] Issuer and (ii) I-SMS issued by four I-SMS Issuers. Consequently, the Issuer will not be able to control any matters in respect of such I-PreTS[sm] or I-SMS as to which the Issuer is requested to vote or give its consent.

Description of the Corresponding Debentures Owned by I-PreTS[sm] Issuers

General. Concurrently with the issuance of its I-PreTS[sm], each I-PreTS[sm] Issuer has invested the proceeds thereof in Corresponding Debentures up to the Liquidation Amount of the related I-PreTS[sm]. The consideration received by such I-PreTS[sm] Issuer from its parent Affiliated Insurance HC for its Common Securities was also invested in Corresponding Debentures. The Corresponding Debentures will represent junior subordinated unsecured debt and will be issued pursuant to separate Affiliated Insurance HC Indentures. Wilmington Trust acts or will act as trustee under each Affiliated HC Indenture in respect of each of the I-PreTS[sm] Issuers (in respect of each I-PreTS[sm] Issuer, the "**Debenture Trustee**").

All of the Corresponding Debentures in respect of the I-PreTS[sm] Issuers will mature and become due and payable, together with any accrued and unpaid interest thereon, including Deferred Interest and Additional Sums, if any, on their respective maturity dates, as set forth on Annex E hereto.

No Affiliated Insurance HC Indenture contains provisions that afford the I-PreTS[sm] Issuer, as the holder of the Corresponding Debentures, protection in the event of a highly leveraged transaction or other similar transaction involving the Affiliated Insurance HC that may adversely affect such holders.

Subordination. Each Affiliated Insurance HC Indenture provides that the Corresponding Debentures will be subordinated and junior in right of payment to all present and future Senior Indebtedness (as defined therein and as described in the Glossary of Certain Defined Terms) of the applicable Affiliated Insurance HC. No payment may be made by the Affiliated Insurance HC with respect to the principal (including redemption payments) of or interest on, or premium, if any, on the Corresponding Debentures in the event and during the continuation of any default by such Affiliated Insurance HC in the payment of principal, premium, interest or any other payment due on any of its Senior Indebtedness following any grace period, or in the event that the maturity of any such Senior Indebtedness has been accelerated because of a default and such acceleration has not been rescinded or canceled and such Senior Indebtedness has not been paid in full. Upon any distribution of assets of the Affiliated Insurance HC to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all principal and interest due or to become due on all Senior Indebtedness of the Affiliated Insurance HC must be paid in full before the holders of the Corresponding Debentures are entitled to receive or retain any payment. Upon satisfaction of all claims of all Senior Indebtedness then outstanding, the rights of the holders of the Corresponding Debentures will be subrogated to the rights of the holders of Senior Indebtedness of the Affiliated Insurance HC to receive payments or distributions applicable to Senior Indebtedness until the principal of (and premium, if any) and interest on the Corresponding Debentures are paid in full. There is no limit to the aggregate amount of Senior Indebtedness that may be issued by any Affiliated Insurance HC.

The right of an Affiliated Insurance HC to participate in any distribution of assets of any subsidiary upon such subsidiary's liquidation or reorganization or otherwise is subject to the prior claims of creditors of that subsidiary, except to the extent the Affiliated Insurance HC may itself be recognized as a creditor of that subsidiary. Each Affiliated Insurance HC relies primarily on dividends from such subsidiaries to meet its obligations for payment of principal and interest on its outstanding debt obligations and corporate expenses. The principal sources of the Affiliated Insurance HC's income are dividends, interest and fees from its subsidiaries. The insurance subsidiaries of each Affiliated Insurance HC are subject to certain restrictions imposed by applicable law on any extensions of credit to, and certain other transactions with, the Affiliated Insurance HC and certain other affiliates and on investments in stock or other securities thereof. In addition, payment of dividends to an Affiliated Insurance HC by its insurance subsidiaries is subject to ongoing review by regulators and is subject to various statutory limitations and in certain circumstances requires approval by regulatory authorities. Accordingly, each Affiliated Insurance HC's obligations under its Corresponding Debentures will be effectively subordinated to all existing and future liabilities of that Affiliated Insurance HC's subsidiaries.

Redemption. Each Affiliated Insurance HC may redeem its Corresponding Debentures in whole, but not in part, on any Special Redemption Date and in whole or in part, on any Capital Security Payment Date in respect of the related I-PreTS[sm] on or after the related First Call Date as described in "—Redemption and Prepayments of the I-Capital Securities—*Redemption Price of the I-PreTS[sm]*".

Interest. Each Corresponding Debenture will bear interest as described above under "—Distributions on the I-Capital Securities—*Distributions on the I-PreTS[sm]*". The amount of interest payable for any period will be computed on the basis of (a) with respect to the I-PreTS[sm] (except during the Capital Securities Fixed Rate Period), the actual number of days in the related quarterly accrual period and a 360-day year, and (b) during the Capital Securities Fixed Rate Period, a 360-day year of twelve 30 day months. The interest rate for any Corresponding Debenture will at no time be higher than the maximum rate then permitted by New York law as the same may be modified by U.S. law.

Option to Extend Interest Payment Period. So long as an Affiliated Insurance HC is not in default in the payment of interest that has become due and payable on its Corresponding Debentures and no Deferred Interest from a prior completed Extension Period is unpaid, each Affiliated Insurance HC will have the right to defer payments of interest on its Corresponding Debentures as described in "—Distributions on the I-Capital Securities—*Distributions on the I-PreTS[sm]*".

Additional Sums. If, at any time upon the occurrence of a Tax Event, an I-PreTS[sm] Issuer is required to pay any taxes (excluding withholding taxes), duties, assessments or governmental charges imposed by the United States, or any other taxing authority, then, in any such case, its parent Affiliated Insurance HC will pay such additional amounts ("**Additional Sums**") on the Corresponding Debentures as shall be required so that the net amounts received and retained by the I-PreTS[sm] Issuer after paying any such taxes (excluding withholding taxes), duties, assessments or other governmental charges will equal the amounts the I-PreTS[sm] Issuer and the Institutional Trustee would have received had no such taxes (excluding withholding taxes), duties, assessments or other governmental charges been imposed.

Certain Covenants. If (i) there has occurred and is continuing any event that would constitute an event of default (as described below) under an Affiliated Insurance HC Indenture relating to Corresponding Debentures, (ii) an Affiliated Insurance HC is in default with respect to its payment of any obligations under its Guarantee, or (iii) an Affiliated Insurance HC has given notice of its election to defer payments of interest on its Corresponding Debentures by extending the interest payment period as provided in the Affiliated Insurance HC Indenture relating to such Corresponding Debentures, or any such Extension Period is continuing, then, except in certain limited circumstances, (a) such Affiliated Insurance HC shall not, and shall not permit any Affiliate of the Affiliated Insurance HC controlled by the Affiliated Insurance HC to, declare or pay any dividend on, make a distribution with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, equity interests or share capital, as the case may be, or any of such Affiliates' capital stock, equity interests or share capital, as the case may be, or make any guarantee payments (other than payments under the Guarantee) with respect to the foregoing and (b) except in certain limited circumstances, such Affiliated Insurance HC shall not, and shall not permit any Affiliate of the Affiliated Insurance HC controlled by the Affiliated Insurance HC to, make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities issued by such Affiliated Insurance HC or by any Affiliate of the Affiliated Insurance HC controlled by the Affiliated Insurance HC that rank pari passu in all respects with or junior to the Corresponding Debentures.

The parent Affiliated Insurance HC of each I-PreTS[sm] Issuer or a directly or indirectly wholly-owned subsidiary of the Affiliated Insurance HC of each I-PreTS[sm] Issuer will, for so long as any I-PreTS[sm] Issuer Securities remain outstanding, maintain 100% ownership of the Common Securities of such I-PreTS[sm] Issuer; *provided*, *however*, that any permitted successor of an Affiliated Insurance HC may succeed to such Affiliated Insurance HC's ownership of such Common Securities.

Limitation on Mergers and Sales of Assets. Any Affiliated Insurance HC of an I-PreTS[sm] Issuer may consolidate or merge with or into any other Person (whether or not affiliated with such Affiliated Insurance HC), or sell, convey, transfer or otherwise dispose of, directly or indirectly through its subsidiaries, in a single transaction or in any series of transactions occurring during any twelve-month period, more than 51% of its assets, to any other Person (whether or not affiliated with the Affiliated Insurance HC or its successor or successors) authorized to acquire and operate the same; *provided*, *however*, that an Affiliated Insurance HC will, upon any such consolidation, merger (where the Affiliated Insurance HC is not the surviving corporation), sale, conveyance, transfer or other disposition of assets, cause the obligations of such Affiliated Insurance HC under its Corresponding Debentures and the related Affiliated Insurance HC Indenture to be expressly assumed by the successor entity formed by such consolidation or into which the Affiliated Insurance HC shall have been merged, or which shall have acquired such property.

Events of Default, Waiver and Notice. Each Affiliated Insurance HC Indenture of an Affiliated Insurance HC of each I-PreTS[sm] Issuer provides that any one or more of the following described events which

has occurred and is continuing with respect to the Corresponding Debentures issued pursuant to such Affiliated Insurance HC Indenture constitutes an "event of default" with respect to the Corresponding Debentures:

(a) default for 30 days in the payment of any interest on such Corresponding Debentures, including any Deferred Interest or Additional Sums in respect thereof, when due (a valid extension of an interest payment period by an Affiliated Insurance HC in accordance with the terms of the Affiliated Insurance HC Indenture is not a default in the payment of interest under this clause); or

(b) default in payment of principal of (or premium, if any, on) such Corresponding Debentures when due either at maturity, upon redemption, by declaration of acceleration or otherwise; or

(c) default by an Affiliated Insurance HC in the performance of, or breach of, certain other of the covenants or agreements in the Affiliated Insurance HC Indenture or in the terms of the Corresponding Debentures which shall not have been remedied for a period of 60 days after written notice to the Affiliated Insurance HC by the Debenture Trustee or to the Affiliated Insurance HC and the Debenture Trustee by the holders of not less than 25% in aggregate principal amount of the related Corresponding Debentures; or

(d) certain events of bankruptcy, insolvency or reorganization of the Affiliated Insurance HC; or

(e) the Liquidation of the Affiliated Insurance HC's subsidiary I-PreTS[sm] Issuer, except in connection with the distribution of the Corresponding Debentures to the holders of I-PreTS[sm] Issuer Securities in liquidation of the I-PreTS[sm] Issuer, the redemption of all of the I-PreTS[sm] Issuer Securities, or certain mergers, consolidations or amalgamations, permitted by the related Declaration.

If an event of default shall have occurred and be continuing, either the Debenture Trustee or the holders of not less than 25% in aggregate principal amount of the Corresponding Debentures then outstanding may declare the principal of and accrued interest on all such Corresponding Debentures to be due and payable immediately, but upon certain conditions such declarations may be annulled and past defaults may be waived (except defaults in payment of principal of or interest or premium on the 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 any holder of any Corresponding Debenture to receive payment of the principal of, 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 an Affiliated Insurance HC Indenture of an Affiliated Insurance HC of an I-PreTS[sm] Issuer also constitutes an event of default under the related Declaration (a "**Declaration Event of Default**"). Upon the occurrence of any Declaration Event of Default, the Institutional Trustee, so long as it is the sole holder of the Corresponding Debentures, will have the right to declare the principal of and interest on the Corresponding Debentures to be immediately due and payable. A waiver of any event of default under an Affiliated Insurance HC Indenture will constitute a waiver of the corresponding Declaration Event of Default.

Effect of Obligations with Respect to the I-PreTS[sm]

Corresponding Debentures. As long as payments of interest and other payments are made when due on the Corresponding Debentures, such payments will be sufficient to cover distributions and payments due on the related I-PreTS[sm] because of the following factors: (i) the aggregate principal amount of the Corresponding Debentures (exclusive of the portion thereof allocable to the Common Securities) will be equal to the aggregate stated Principal Balance of the related I-PreTS[sm]; (ii) the interest rate and the payment dates

on the Corresponding Debentures will match the rate borne by the I-PreTS[sm] and distribution dates for the I-PreTS[sm]; and (iii) the parent Affiliated Insurance HC will be obligated to pay all, and its subsidiary I-PreTS[sm] Issuer will not be obligated to pay directly or indirectly, any costs, expenses, debts, and other obligations of such I-PreTS[sm] Issuer (other than distributions on its I-PreTS[sm] Issuer Securities).

Payments of amounts due on the I-PreTS[sm] (to the extent funds therefor are available to an I-PreTS[sm] Issuer) are guaranteed by the parent Affiliated Insurance HC of each I-PreTS[sm] Issuer. If an Affiliated Insurance HC does not make interest payments on its Corresponding Debentures, it is expected that its subsidiary I-PreTS[sm] Issuer will not have sufficient funds to pay distributions on its I-PreTS[sm]. The I-PreTS[sm] Guarantee will not apply to any payment of distributions except to the extent that the applicable I-PreTS[sm] Issuer has funds available for the payment of such distributions. Each I-PreTS[sm] Guarantee will cover the payment of distributions and other payments on the related I-PreTS[sm] only if and to the extent that the parent Affiliated Insurance HC has made payments of interest or principal on the Corresponding Debentures held by an I-PreTS[sm] Issuer as its sole assets. The I-PreTS[sm] Guarantee, when taken together with an Affiliated Insurance HC's obligations under the Corresponding Debentures, the Declaration and the Affiliated Insurance HC Indenture, including its obligations to pay costs, expenses, debts and other obligations of its subsidiary I-PreTS[sm] Issuer (other than with respect to the I-PreTS[sm] Issuer Securities), provide a full and unconditional guarantee on a subordinated basis by the Affiliated Insurance HC of amounts when due on such I-PreTS[sm]. See "Description of the I-Capital Securities Documents—I-PreTS[sm] Guarantee".

If an Affiliated Insurance HC fails to make interest or other payments on the Corresponding Debentures when due (after giving effect to any Extension Period) or another event of default under the related Affiliated Insurance HC Indenture has occurred and is continuing, the Declaration provides a mechanism whereby the holder of the I-PreTS[sm] (which will be the Issuer) may direct the Institutional Trustee, to the fullest extent permitted by law, to enforce its rights under the Corresponding Debentures. Subject to certain limitations in the related Affiliated Insurance HC Indenture, a holder of record of the I-PreTS[sm] may to the fullest extent permitted by law institute a legal proceeding against the Affiliated Insurance HC to enforce the Institutional Trustee's rights under the Corresponding Debentures without first instituting any legal proceedings against the Institutional Trustee or any other person or entity. Notwithstanding the foregoing, if a Declaration Event of Default has occurred and is continuing and such event is attributable to the failure of the Affiliated Insurance HC to pay principal or interest on the Corresponding Debentures on the respective dates such principal or interest is payable (or in the case of redemption, on the Redemption Date), then a holder of record of the I-PreTS[sm] may institute a direct cause of action for payment on or after the respective due dates specified in the Corresponding Debentures.

The provisions described above are intended to enable the Trustee to effectively enforce the Noteholders' rights if a default occurs on any I-PreTS[sm] or Corresponding Debentures. The Indenture will provide that if a default occurs in respect of an I-PreTS[sm] or a Corresponding Debenture, the Requisite Noteholders will have the right to direct the Trustee with respect to any action to be taken by the Trustee, including, without limitation, engaging in restructuring efforts, bringing enforcement proceedings, engaging investment banking or asset management firms and/or taking any other measures. Because of the illiquid nature of the I-PreTS[sm] and the Corresponding Debentures , it is unlikely that the Trustee would be able to sell a defaulted I-PreTS[sm], or upon a Liquidation, any Corresponding Debenture, as the case may be, on economically acceptable terms. The Trustee will be fully protected with respect to any action taken by it in reasonable good faith at the direction of the Requisite Noteholders.

I-PreTS[sm] Guarantee

In respect of the I-PreTS[sm] issuances, each Affiliated Insurance HC will irrevocably and unconditionally agree, to the extent set forth in its I-PreTS[sm] Guarantee, to pay in full, to holders of the I-PreTS[sm] issued by its subsidiary I-PreTS[sm] Issuer (except to the extent paid by the I-PreTS[sm] Issuer), as and when due, regardless of any defense (except the defense of payment by the related I-PreTS[sm] Issuer), right of set-off or counterclaim which the I-PreTS[sm] Issuer may have or assert: (i) any accrued and unpaid distributions

which are required to be paid on the I-PreTS[sm], to the extent the I-PreTS[sm] Issuer shall have funds available therefor; (ii) the applicable redemption price of any I-PreTS[sm] called for redemption by such I-PreTS[sm] Issuer, to the extent the I-PreTS[sm] Issuer has funds available therefor; and (iii) upon Liquidation of such I-PreTS[sm] Issuer (other than in connection with the distribution of the Corresponding Debentures to holders of the I-PreTS[sm] in exchange therefor), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on such I-PreTS[sm] to the date of payment, to the extent such I-PreTS[sm] Issuer has funds available therefor, and (b) the amount of assets of such I-PreTS[sm] Issuer remaining available for distribution to holders of its I-PreTS[sm] in Liquidation of such I-PreTS[sm] Issuer. An Affiliated Insurance HC's obligation to make a payment under its I-PreTS[sm] Guarantee may be satisfied by direct payment of the required amounts by such Affiliated Insurance HC to the holders of the related I-PreTS[sm] or by causing such I-PreTS[sm] Issuer to pay such amounts to such holders.

The I-PreTS[sm] Guarantees will not apply to any payment of distributions on the I-PreTS[sm] except to the extent the related I-PreTS[sm] Issuer has funds available therefor, which funds will not be available except to the extent such I-PreTS[sm] Issuer's parent Affiliated Insurance HC has made payments of interest or principal or other payments on the Corresponding Debentures purchased by such I-PreTS[sm] Issuer. Because each I-PreTS[sm] Guarantee is a guarantee of payment and not of collection, holders of I-PreTS[sm] may proceed directly against the Affiliated Insurance HC, rather than having to proceed against the I-PreTS[sm] Issuer before attempting to collect from the Affiliated Insurance HC, and the Affiliated Insurance HC waives any right or remedy to require that any action be brought against the I-PreTS[sm] Issuer or any other person or entity before proceeding against the Affiliated Insurance HC.

The I-PreTS[sm] Guarantees have been deposited or will be deposited with Wilmington Trust, as guarantee trustee to be held for the benefit of the holders of I-PreTS[sm]. Except as otherwise noted herein, the guarantee trustee has the right to enforce the I-PreTS[sm] Guarantee on behalf of holders of the I-PreTS[sm].

Each Affiliated Insurance HC's obligations under its I-PreTS[sm] Guarantee will be subordinate and junior in right of payment to all present and future Senior Indebtedness of such Affiliated Insurance HC and are also effectively subordinated to claims of creditors of the Affiliated Insurance HC's subsidiaries. Because each Affiliated Insurance HC is a holding company of an insurance company or insurance companies, the right of any Affiliated Insurance HC to participate in any distribution of assets of any of its subsidiaries upon such subsidiary's liquidation or reorganization or otherwise is subject to the prior claims of creditors of that subsidiary, except to the extent the Affiliated Insurance HC may itself be recognized as a creditor of that subsidiary. Accordingly, an Affiliated Insurance HC's obligations under its I-PreTS[sm] Guarantee will be effectively subordinated to all existing and future liabilities of such Affiliated Insurance HC's subsidiaries, and claimants may look only to the assets of such Affiliated Insurance HC for payments thereunder.

I-PreTS[sm] Liquidation and Distribution Upon Dissolution

In the event of the voluntary or involuntary liquidation, dissolution, winding-up or termination of an I-PreTS[sm] Issuer (each, a "**Liquidation**") other than in connection with a redemption of Corresponding Debentures, holders of the I-PreTS[sm] will be entitled to receive out of the assets of such I-PreTS[sm] Issuer available for distribution to holders of the I-PreTS[sm], after satisfaction of liabilities to creditors of the I-PreTS[sm] Issuer (to the extent not satisfied by the Affiliated Insurance HC), distributions equal to the aggregate of the stated Principal Balance of the I-PreTS[sm] plus accrued and unpaid distributions thereon to the date of payment (such amount being, the "**Liquidation Distribution**"), unless in connection with such Liquidation, the Corresponding Debentures in an aggregate stated principal amount equal to the aggregate stated Principal Balance of such I-PreTS[sm], with an interest rate equal to the applicable rate on, and bearing accrued and unpaid interest in an amount equal to the accrued and unpaid distributions on such I-PreTS[sm], are distributed on a *pro rata* basis to holders of the I-PreTS[sm] in exchange for such I-PreTS[sm].

Each Affiliated Insurance HC has the right at any time to dissolve its subsidiary I-PreTS[sm] Issuer (including without limitation upon the occurrence of a Special Event) after satisfaction of liabilities to creditors

of such I-PreTS[sm] Issuer and to cause the Corresponding Debentures to be distributed to holders of I-PreTS[sm] on a *pro rata* basis in accordance with the aggregate stated Principal Balance thereof.

Each I-PreTS[sm] Issuer will dissolve on the first to occur of (i) the date of expiration of the term of the I-PreTS[sm] Issuer, which date is the date which relates approximately to the 35th anniversary of the establishment of such I-PreTS[sm] Issuer, (ii) the bankruptcy of its parent Affiliated Insurance HC or such I-PreTS[sm] Issuer, (iii) the filing of a certificate of dissolution of its parent Affiliated Insurance HC or the revocation of the charter of its parent Affiliated Insurance HC, (iv) the distribution to holders of I-PreTS[sm] Issuer Securities of the Corresponding Debentures, (v) the entry of a decree of a judicial dissolution of such I-PreTS[sm] Issuer or its Affiliated Insurance HC, or (vi) when all of the I-PreTS[sm] Issuer Securities have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the holders in accordance with the terms of the I-PreTS[sm] Issuer Securities. As soon as practicable after the dissolution of the I-PreTS[sm] Issuer and upon completion of the winding up of the I-PreTS[sm] Issuer, the I-PreTS[sm] Issuer shall terminate upon the filing of a certificate of cancellation with the Secretary of State of the State of Delaware.

If a Liquidation occurs as described in clause (i), (ii), (iii) or (v) of the preceding paragraph, an I-PreTS[sm] Issuer shall be liquidated by distributing to the holders of the I-PreTS[sm] Issuer Securities, after satisfaction of liabilities to creditors of such I-PreTS[sm] Issuer, to the extent not satisfied by the Affiliated Insurance HC, the Corresponding Debentures, unless such distribution is determined by the Institutional Trustee not to be practical, in which event such holders will be entitled to receive out of the assets of the I-PreTS[sm] Issuer available for distribution to holders, after satisfaction of liabilities to creditors of the I-PreTS[sm] Issuer to the extent not satisfied by the Affiliated Insurance HC, an amount equal to the Liquidation Distribution. An early Liquidation of the I-PreTS[sm] Issuer pursuant to clause (iv) above shall occur only if the Institutional Trustee determines that such Liquidation is possible by distributing to the holders of the I-PreTS[sm] Issuer Securities, after satisfaction of liabilities to creditors of the I-PreTS[sm] Issuer to the extent not satisfied by the Affiliated Insurance HC, the Corresponding Debentures, and such distribution occurs.

If, upon any such Liquidation, the Liquidation Distribution can be paid only in part because an I-PreTS[sm] Issuer has insufficient assets available to pay in full the aggregate Liquidation Distribution and the amount due on its Common Securities, then the amounts payable directly by such I-PreTS[sm] Issuer shall be paid to the holders of the I-PreTS[sm] Issuer Securities on a *pro rata* basis. The holders of the Common Securities issued by the I-PreTS[sm] Issuer will be entitled to receive distributions upon any such Liquidation *pro rata* with the holders of such I-PreTS[sm], except that if a Declaration Event of Default has occurred and is continuing in respect of the I-PreTS[sm] Issuer, the I-PreTS[sm] shall have a preference over the Common Securities with regard to such distributions.

Mergers, Consolidations or Amalgamations with Respect to I-PreTS[sm]

Each Declaration will provide that the I-PreTS[sm] 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 body, except as described therein. An I-PreTS[sm] Issuer may, with the consent of the Institutional Trustee and without the consent of the holders of the I-PreTS[sm], consolidate, amalgamate, merge with or into, or be replaced by, a trust organized as such under the laws of any state of the United States; *provided* that (i) if such I-PreTS[sm] Issuer is not the survivor, such successor entity either (x) expressly assumes all of the obligations of the I-PreTS[sm] Issuer under the I-PreTS[sm] Issuer Securities or (y) substitutes for the I-PreTS[sm] Issuer Securities other securities having substantially the same terms as the I-PreTS[sm] Issuer Securities (the "**Successor Securities**"), so that the Successor Securities rank the same as the I-PreTS[sm] Issuer Securities rank in priority with respect to distributions and payments upon liquidation, redemption and otherwise, (ii) a trustee of such successor entity possessing the same powers and duties as the Institutional Trustee is appointed as the holder of the Corresponding Debentures, (iii) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of such I-PreTS[sm] Issuer Securities (including any Successor Securities) in any material respect, (iv) the Institutional Trustee receives written confirmation from each Rating Agency that it will not reduce or withdraw

its rating of the Senior Notes or the Mezzanine Notes because of such merger, conversion, consolidation, amalgamation or replacement, (v) such successor entity has a purpose substantially identical to that of the I-PreTS[sm] Issuer, (vi) prior to such merger, consolidation, amalgamation or replacement, the I-PreTS[sm] Issuer has received an opinion of a nationally recognized independent counsel to the I-PreTS[sm] Issuer experienced in such matters to the effect that (A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the I-PreTS[sm] Issuer Securities (including any Successor Securities) in any material respect, (B) following such merger, consolidation, amalgamation or replacement, neither the I-PreTS[sm] Issuer nor such successor entity will be required to register as an investment company under the Investment Company Act and (C) following such merger, consolidation, amalgamation or replacement, neither the I-PreTS[sm] Issuer nor such successor entity will be classified as other than a grantor trust for U.S. federal income tax purposes, (vii) the Affiliated Insurance HC guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee, (viii) the Affiliated Insurance HC owns 100% of the common securities of any successor entity, and (ix) prior to such merger, consolidation, amalgamation or replacement, the Institutional Trustee must receive an officers' certificate and an opinion of counsel, each to the effect that all of the above conditions precedent have been satisfied.

Description of the I-DS

The summary of the material terms and provisions of each I-DS contained in this Offering Circular does not purport to be complete and is subject to and qualified in its entirety by reference to the I-DS. A copy of the form of I-DS may be obtained by Noteholders upon request in writing to the Institutional Trustee at its Corporate Trust Office and by prospective purchasers of Notes from the Placement Agents.

General. The I-DS will represent unsecured debt. One I-DS will be issued pursuant to an I-DS Indenture. With respect to such I-DS, Wilmington Trust will act as trustee under the I-DS Indenture. Two I-DS will be issued pursuant to I-DS Trust Deeds. With respect to such I-DS, Wilmington Trust (Channel Islands) Limited will act as trustee under the I-DS Trust Deeds.

The I-DS Indentures and the I-DS Trust Deeds will contain certain covenants related to the maintenance of the properties and other assets of the related I-DS Issuers (including stock in its subsidiaries), but will not contain provisions that afford the Issuer, as the holder of the I-DS, protection in the event of a highly leveraged transaction or other similar transaction involving any I-DS Issuer that may adversely affect the Issuer or limit the ability of any I-DS Issuer to incur additional liabilities or obligations, including indebtedness that ranks senior to the I-DS.

Ranking. The obligations of one I-DS Issuer with respect to I-DS with a Principal Balance of U.S.$5,000,000 rank *pari passu* with all other unsecured senior obligations of such I-DS Issuer, present and future. The obligations of two I-DS Issuers with respect to I-DS with an aggregate Principal Balance of U.S.$75,000,000 rank *pari passu* with all other obligations of such I-DS Issuers constituting Lower Tier 2 Capital (as such term is defined by the Applicable Regulator for such Designated I-DS Issuers). There is no limit to the aggregate amount of other indebtedness that may be issued by an I-DS Issuer. In addition, an I-DS Issuer may issue secured indebtedness, which could effectively make its I-DS subordinate to such secured indebtedness.

Redemption. The I-DS Issuers may redeem their respective I-DS in whole or in part on any Capital Security Payment Date on or after the First Call Date as described in "—Redemption and Prepayments of the I-Capital Securities". In addition, two I-DS Issuers may redeem its I-DS in whole, but not in part, on any Special Redemption Date as described in "—Redemption and Prepayments of the I-Capital Securities".

Interest. The I-DS will bear interest as described above under "—Distributions on the I-Capital Securities—*Payments on the I-DS*". The amount of interest payable on an I-DS for any period will be computed on the basis of (a) with respect to the I-DS, except for the Fixed/Floating I-DS during its Capital

Securities Fixed Rate Period, the actual number of days in the related quarterly accrual period and a 360-day year and (b) with respect to the Fixed/Floating I-DS during their respective Capital Securities Fixed Rate Periods, a 360-day year of twelve 30-day months.

Limitation on Conversions, Mergers and Sales of Assets. An I-DS Issuer may consolidate or merge with or into any other Person (whether or not affiliated with the I-DS Issuer) or sell, convey, transfer or otherwise dispose of the property, assets or capital stock of such I-DS Issuer or its successor or successors as an entirety, or substantially as an entirety or, in the case of one I-DS Issuer, directly or indirectly through its subsidiaries, in a single transaction or in any series of transactions occurring during any twelve month period, more than 51% of its assets, to any other Person (whether or not affiliated with the I-DS Issuer, or its successor or successors) authorized to acquire and operate the same; *provided*, *however*, that such I-DS Issuer will, upon any such consolidation, merger, sale, conveyance, transfer or other disposition of assets, cause the obligations of the I-DS Issuer under the related I-DS Indenture or I-DS Trust Deed, as applicable, to be expressly assumed by the entity formed by such consolidation, or into which the I-DS Issuer shall have been merged, or by the entity which shall have acquired such property, assets or capital stock.

Events of Default, Waiver and Notice. Each I-DS Indenture provides that the failure to make payments when due under the terms thereof, certain events of bankruptcy, insolvency or reorganization of the related I-DS Issuer which have occurred and are continuing with respect to the related I-DS and certain other events constitute an "event of default" with respect to the related I-DS.

Each Designated I-DS Trust Deed provides that the failure to make payments of any amounts falling due under the terms of the related Designated I-DS (subject to applicable grace periods for non-payment of interest and any other amounts falling due under the terms of such Designated I-DS) or an order being made by any competent court or a resolution being passed for the winding up or dissolution of the related Designated I-DS Issuer shall constitute the sole "events of default" with respect to the related Designated I-DS.

The right of any holder of the I-DS to receive payment of the principal of and interest on such I-DS when due, or to institute suit for the enforcement of any such payment, shall not be impaired or affected under the related I-DS Indenture or I-DS Trust Deed, as applicable, without the consent of such holder. However, various legal limitations may adversely affect the ability of an I-DS Issuer to make payments on its related I-DS. See "Risk Factors—Risk Factors Relating to the I-Capital Securities—25. *Nature of the I-DS and I-SMS (other than the Surplus Note I-SMS)*".

Additional Sums. All payments in respect of two I-DS (the "**Designated I-DS**") by or on behalf of the relevant I-DS Issuer (such I-DS Issuers, the "**Designated I-DS Issuers**") shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Withholding Taxes**") imposed or levied by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of the Withholding Taxes is required by law. In that event, the Designated I-DS Issuer will pay such additional amounts ("**Additional Sums**") as may be necessary in order that the net amounts received by the holders of the Designated I-DS after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Designated I-DS in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of the Designated I-DS if the Designated I-DS Withholding Tax Condition is not satisfied.

Payment of Taxes. As long as any of the Designated I-DS remains outstanding, the related Designated I-DS Issuer shall pay or discharge or cause to be paid or discharged (1) all taxes, assessments and governmental charges levied or imposed upon the Designated I-DS Issuer or any significant subsidiary or upon the income, profits or property of the Designated I-DS Issuer or any significant subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Issuer or any subsidiary; provided, however, that the related Designated I-DS Issuer shall not be required to

pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

Negative Pledge. So long as any of the Designated I-DS remain outstanding, the related Designated I-DS Issuer will not, and it shall not cause or permit any of its subsidiaries to, incur, issue or be obligated on any indebtedness (whether being principal, premium, interest or other amounts) which is, by its terms, in the event of a winding up of the related Designated I-DS Issuer, subordinated in right of payment to the claims of creditors in respect of the unsecured or secured obligations of such Designated I-DS Issuer, either directly or indirectly, by way of guarantee, suretyship or otherwise, other than such indebtedness that, by its terms, is expressly stated to be either junior and subordinate or *pari passu* in all respects to the Designated I-DS.

Submission to Jurisdiction. Each Designated I-DS Issuer has irrevocably agreed for the benefit of the holders of the Designated I-DS that the courts of England are to have exclusive jurisdiction to settle any disputes, which may arise out of or in connection with the Designated I-DS and accordingly submits to the exclusive jurisdiction of the English courts. The Designated I-DS Issuer has waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. Subject to the provisions of the Designated I-DS Trust Deed, the Designated I-DS Trustee and the holders of the Designated I-DS may take any suit, action or proceeding arising out of or in connection with the Designated I-DS against the Designated I-DS Issuer in any other court of competent jurisdiction and any such suits, actions or proceedings concurrently in any number of jurisdictions.

Description of the Surplus Notes

General. Each Surplus Note will represent subordinated, unsecured debt and will be issued pursuant to a Surplus Note Indenture. Wilmington Trust acts or will act as trustee under the Surplus Note Indentures in respect of the Surplus Note Issuers (the "**Surplus Note Trustee**").

The Surplus Notes will mature and become due and payable, together with any accrued and unpaid interest thereon on their respective maturity dates, as set forth in Annex E. Payment upon maturity by the Surplus Note Issuers will be subject to regulatory approval by the Applicable Regulators.

No Surplus Note Indenture will contain provisions that afford the Issuer, as the holder of the related Surplus Note, protection in the event of a highly leveraged transaction or other similar transaction involving the related Surplus Note Issuer that may adversely affect the Issuer or limit the ability of such Surplus Note Issuer to incur additional Policy Claims, liabilities or obligations, including Senior Indebtedness and other indebtedness that rank senior to the Surplus Note.

Subordination. Each Surplus Note Indenture provides that, subject to the applicable law and regulations of the state whose laws govern the payment of the Surplus Notes, the Surplus Notes will be subordinated and junior in right of payment to all present and future Senior Indebtedness and Policy Claims (each as defined thereunder and as described in the Glossary of Certain Defined Terms) of the applicable Surplus Note Issuer. No payment of principal (and premium, if any) of or interest on the Surplus Notes may be made (in cash, property, securities, by set-off or otherwise) if (i) any amounts related to the payment of Policy Claims or any Senior Indebtedness of such Surplus Note Issuer are not paid when due or (ii) provision is not made for such payment in money in accordance with the terms of such obligations. Upon any distribution of assets of a Surplus Note Issuer to creditors upon any rehabilitation, liquidation, conservation, dissolution, reorganization or receivership, whether voluntary or involuntary, or in insolvency or other proceedings, all Policy Claims and principal and interest due or to become due on all Senior Indebtedness of such Surplus Note Issuer must be paid in full before the holders of the related Surplus Note are entitled to receive or retain any payment. There is no limit to the aggregate amount of Senior Indebtedness that may be issued by any Surplus Note Issuer.

Redemption. Subject to the approval of the Applicable Regulator, each Surplus Note Issuer may redeem its Surplus Notes in whole, but not in part, on any Special Redemption Date, and in whole or in part, on any Capital Security Payment Date on or after the First Call Date as described in "—Redemption and Prepayments of the I-Capital Securities—*Redemption Price of the Surplus Notes*".

Interest. Each Surplus Note will bear interest as described above under "—Distributions on the I-Capital Securities—*Payments on the Surplus Notes*". The amount of interest payable on a Surplus Note for any period will be computed on the basis of (a) except for during their respective Capital Securities Fixed Rate Periods, the actual number of days in the related quarterly accrual period and a 360-day year and (b) during their respective Capital Securities Fixed Rate Periods, a 360 day year of twelve 30-day months.

Certain Covenants. If there shall have occurred and is continuing an event of default (as described below), then (x) prior to any declaration of dividends to be paid by a Surplus Note Issuer or approving or otherwise endorsing any payments of dividends to any party, the Board of Directors of such Surplus Note Issuer will give due consideration to the effect, if any, of any such declaration or payment of dividends on the Surplus Note Issuer's ability to receive approval from the Applicable Regulator to make payments of principal (including redemption payments) of and interest on the Surplus Note, (y) a Surplus Note Issuer shall not permit any Affiliate controlled by such Surplus Note Issuer to declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, such Affiliate's capital stock (other than payments of dividends or distributions to the Surplus Note Issuer or policyholders of any such Affiliate or as otherwise required by applicable law and regulations) and (z) a Surplus Note Issuer shall not, and shall not allow any Affiliate controlled by such Surplus Note Issuer to, make any payment of principal of or interest or premium, if any, on or repay, repurchase, or redeem any debt securities of the Surplus Note Issuer or any Affiliate controlled by the Surplus Note Issuer that rank *pari passu* in all respects with or junior in interest to the Surplus Note.

Limitation on Conversions, Mergers and Sales of Assets. Subject to certain exceptions, a Surplus Note Issuer shall not convert itself from a mutual insurance company into a stock insurance company (such action, a "**Demutualization**") or, if such Surplus Note Issuer is not a mutual insurance company, the Surplus Note Issuer shall not convert itself into any other form of insurance company (such action, a "**Conversion**"), or if the Surplus Note Issuer is a mutual corporation, the Surplus Note Issuer shall not convert itself from a mutual corporation into a stock company, if applicable (such action, also a "**Demutualization**") or from a hospital service and indemnity corporation and/or medical service and indemnity corporation into a for profit corporation or any other form of business organization (such action, also a "**Conversion**"), merge or consolidate with or into any other Person or sell, convey, transfer or otherwise dispose of all or substantially all of its assets to any Person, unless (i)(A) in the case of a merger or consolidation, the Surplus Note Issuer is the surviving corporation or (B) in the case of a merger or consolidation where the Surplus Note Issuer is not the surviving corporation and in the case of any such sale, conveyance, transfer or other disposition, the successor corporation is a corporation organized and existing under the laws of the United States or a state thereof and such corporation expressly assumes by supplemental indenture all the obligations of the Surplus Note Issuer under the Surplus Note Indenture and the Surplus Note and (ii) at the time of any such Demutualization, Conversion, merger or consolidation, or such sale, conveyance, transfer or other disposition after having satisfied the Payment Restrictions, the Surplus Note Issuer shall not have failed to make payment with respect to the interest on and principal (including premium, if any) of the Surplus Note.

Events of Default, Waiver and Notice. Each Surplus Note Indenture of a Surplus Note Issuer provides that any one or more of the following described events constitutes an "event of default" with respect to the Surplus Note issued by such Surplus Note Issuer:

(a) if the Applicable Regulator approves in whole or in part a payment of any interest upon the Surplus Note when it becomes due and payable and the Surplus Note Issuer defaults in such payment and fails to cure such default for a period of 30 days; or

(b) if the Applicable Regulator approves in whole or in part a payment of all or any part of the principal (or premium, if any), Optional Redemption Price or Special Redemption Price with respect to the Surplus Note that has otherwise become due and payable either at maturity or upon redemption, and the Surplus Note Issuer fails to make such payment; or

(c) the Surplus Note Issuer defaults in the performance of, or breaches, certain other of the covenants or agreements in the Surplus Note Indenture, and continuance of such default or breach for a period of 60 days after written notice to the Surplus Note Issuer by the Surplus Note Trustee or to the Surplus Note Issuer and the Surplus Note Trustee by the holders of at least 25% of the Aggregate Principal Amount of the Surplus Note of the Surplus Note Issuer, specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" thereunder; or

(d) if any state or federal agency shall obtain an order or grant approval for the (1) liquidation or dissolution of the Surplus Note Issuer or (2) rehabilitation, conservation, reorganization or receivership of the Surplus Note Issuer.

If an event of default specified in clause (a) or (b) above occurs and is continuing with respect to any Surplus Note, then, and in each and every such case, the approved amount scheduled to be paid on the Surplus Note specified in clause (a) or (b) above will be immediately payable on such date without any action on the part of the Surplus Note Trustee or any holder of such Surplus Note; *provided*, *however*, that in no event shall the Surplus Note Trustee or any holder of such Surplus Note be entitled to cause such Surplus Note to immediately mature or otherwise be immediately payable as a result of an event of default specified in clause (a) or (b) above.

The Applicable Regulator's disapproval of any payment of principal of, premium, if any, and interest on a Surplus Note, to the holders thereof and the Surplus Note Trustee's failure as a result of such disapproval to remit payment of principal, premium, if any, and interest on such Surplus Note to the holders thereof, shall not constitute events of default under the applicable Surplus Note Indenture.

If an event of default specified in clause (c) above occurs and is continuing with respect to any Surplus Note, then each holder of such Surplus Note (subject to the limitations described in each Surplus Note Indenture) and the Surplus Note Trustee may pursue any available remedy to enforce the performance of any provision of the Surplus Note Indenture or such Surplus Note; *provided*, *however*, that such remedy shall in no event include the right to cause such Surplus Note to immediately mature or otherwise be immediately payable.

If an event of default specified in clause (d) above occurs with respect to any Surplus Note, then, without any action on the part of the Surplus Note Trustee or any holder of such Surplus Note, the entire principal (or premium, if any) of such Surplus Note and the interest accrued thereon, if any, shall be due and payable immediately, and the same shall become immediately due and payable subject to any restrictions imposed as a consequence of, or pursuant to any proceedings described in clause (d) above.

Except for an event of default under clause (d) above, the foregoing provisions are subject to the conditions that if, at any time after the principal of a Surplus Note shall have been so declared due and payable, and before any judgment, decree or order for the payment of the moneys due shall have been obtained or entered as hereinafter provided, (i) the related Surplus Note Issuer, subject to the prior approval by the Applicable Regulator, shall pay or shall deposit with the Surplus Note Trustee a sum sufficient to pay all matured installments of interest upon all the Surplus Note and the principal of and premium, if any, on the Surplus Note that shall have become due (with interest upon such principal and premium, if any) and such amount as shall be sufficient to cover reasonable compensation of the Surplus Note Trustee and each predecessor Surplus Note Trustee, their respective agents, attorneys and counsel, and all other amounts due to the Surplus Note Trustee, if any, and (ii) all Events of Default under the Surplus Note Indenture, other than the

non-payment of the principal of or premium, if any, on the Surplus Note which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided in the Surplus Note Indenture, the holders of a majority in aggregate principal amount of such Surplus Note then outstanding, by written notice to the Surplus Note Issuer and to such Surplus Note Trustee, may waive all defaults and rescind and annul such declaration and its consequences.

DESCRIPTION OF THE R-PreTS[sm] DOCUMENTS

Terms of the R-PreTS[sm]

The R-PreTS[sm] issued by each R-PreTS[sm] Issuer has been or will be issued pursuant to the terms of an Amended and Restated Declaration of Trust (in respect of such R-PreTS[sm] Issuer, the "**Declaration**"). Wilmington Trust will act as trustee under each Declaration. The trustee of a R-PreTS[sm] Issuer is referred to as the "**Institutional Trustee**" in respect of such R-PreTS[sm] Issuer. Each R-PreTS[sm] Issuer will be organized as a statutory trust under the laws of the State of Delaware. The parent Corresponding Debenture Issuer of each R-PreTS[sm] Issuer will own all of the beneficial interests represented by common securities of such R-PreTS[sm] Issuer (the "**Common Securities**" of such R-PreTS[sm] Issuer and, together with the related R-PreTS[sm], the "**R-PreTS[sm] Issuer Securities**"). The R-PreTS[sm] and Common Securities issued by a R-PreTS[sm] Issuer evidence the *pro rata* beneficial ownership interest in the Corresponding Debentures owned by such R-PreTS[sm] Issuer.

The summary of the material terms and provisions of the R-PreTS[sm] contained in this Offering Circular does not purport to be complete and is subject to and qualified in its entirety by reference to the respective Declarations and Corresponding Debentures. Copies of the form of Declaration and the form of Corresponding Debenture in respect of the R-PreTS[sm] may be obtained by Holders of the Notes upon request in writing to the Institutional Trustee at its Corporate Trust Office and by prospective purchasers of Notes from the Placement Agents.

Each R-PreTS[sm] Issuer will use or has used the proceeds from its sale of its R-PreTS[sm] to purchase the junior subordinated debentures issued by its parent REIT Corresponding Debenture Issuer (in respect of such R-PreTS[sm] Issuer, the "**Corresponding Debentures**"). Each R-PreTS[sm] Issuer's only source of cash to make distributions on its R-PreTS[sm] will be the share of payments it receives from its parent Corresponding Debenture Issuer on its Corresponding Debentures that is allocable to the R-PreTS[sm]. The R-PreTS[sm] will be issued in definitive form, will be denominated in a Liquidation Amount that will be equal to approximately 97% of the principal amount of the Corresponding Debentures and will only receive payments on a *pro rata* basis in respect of Corresponding Debentures with an initial principal balance equal to such Liquidation Amount.

Distributions on the R-PreTS[sm]

Annex F hereto contains a summary of the payment terms and payment dates in respect of the R-PreTS[sm]. The remainder of this section must be read in conjunction with Annex F hereto.

Distributions on the R-PreTS[sm] will be payable quarterly in arrears on the Capital Security Payment Dates set forth in Annex F hereto, or if any such day is not a Business Day, the next succeeding Business Day.

As used herein, "**Floating R-PreTS[sm],**" means the R-PreTS[sm] on which distributions will accrue and be payable at a per annum rate equal to LIBOR (as determined by the Calculation Agent) for the related quarterly period plus a margin (specified in Annex F).

As used herein, "**Fixed/Floating R-PreTS[sm],**" means the R-PreTS[sm] on which distributions will accrue and be payable (i) during their respective Capital Securities Fixed Rate Periods, at the fixed rate of interest specified in Annex F, and (ii) after their respective Capital Securities Fixed Rate Periods, at LIBOR for the related quarterly period plus a margin (specified in Annex F) for each such Fixed/Floating R-PreTS[sm].

Distributions on the R-PreTS[sm] that are in arrears for more than one quarterly period will bear interest, compounded quarterly if not timely paid (to the extent lawful), at the applicable rate. With respect to R-PreTS[sm] that bear interest at a floating rate, LIBOR for each quarterly period beginning after the Closing Date will be calculated on the related determination date, which determination date will be two London Banking Days prior to the first day of such quarterly period. Distributions on the R-PreTS[sm] will be payable only to the extent that payments are made in respect of the Corresponding Debentures and to the extent the R-PreTS[sm] Issuer has funds available therefor. The amount of distributions payable for any period will be computed on the basis of the actual number of days in the related period and a 360-day year.

Interest payments on the Corresponding Debentures with respect to the R-PreTS[sm] may not be deferred.

The Holders of the Income Notes, in their sole discretion, may purchase any R-PreTS[sm] that is a Defaulted Security in the manner and subject to the limitations described under "Description of the Notes—Redemption and Prepayments—*Redemption upon Default or Extension of Capital Securities*".

During any event of default, the applicable Corresponding Debenture Issuer will not, except in certain limited circumstances, (i) 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 or (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any of its debt securities that rank *pari passu* in all respects with or junior in interest to the related Corresponding Debentures.

Redemption and Prepayments of the R-PreTS[sm]

Each R-PreTS[sm] Issuer will redeem its respective R-PreTS[sm] when the Corresponding Debentures held by it are paid at maturity or upon earlier redemption of such Corresponding Debentures. The Issuer will receive the *pro rata* share of such payments on the Corresponding Debentures that are allocable to such R-PreTS[sm]. The parent REIT Corresponding Debenture Issuer of such R-PreTS[sm] Issuer will receive the *pro rata* share of such payments on such Corresponding Debentures allocable to the Common Securities of such R-PreTS[sm] Issuer.

The Corresponding Debentures may be redeemed by the issuing REIT Corresponding Debenture Issuer, in whole or in part, on any of its respective Capital Security Payment Dates occurring on or after the related First Call Date, at the Optional Redemption Price. In addition, the Corresponding Debentures may be redeemed by the issuing REIT Corresponding Debenture Issuer at the Special Redemption Price, in whole but not in part, at any time, upon the occurrence and continuation of a Tax Event or an Investment Company Event (each, a "**Special Event**"), on any Capital Security Payment Date not more than 120 days following the occurrence of the applicable Special Event (the "**Special Redemption Date**"), upon not less than 30 nor more than 60 days' notice, so long as the Special Event is continuing.

Upon the maturity or redemption in whole or in part of the Corresponding Debentures of any REIT Corresponding Debenture Issuer (other than following the distribution of such Corresponding Debentures to holders of the related R-PreTS[sm]), the proceeds from such repayment or payment received by any R-PreTS[sm] Issuer that are allocable to its R-PreTS[sm] shall concurrently be applied to redeem, at the applicable Redemption Price, its R-PreTS[sm] having an aggregate Principal Balance equal to the portion of the aggregate principal amount of the Corresponding Debentures so repaid or redeemed that is allocable to such R-PreTS[sm].

"**Tax Event**" means, with respect to an R-PreTS[sm], the receipt by a REIT Corresponding Debenture Issuer and its subsidiary R-PreTS[sm] 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, field service advice, regulatory procedure, notice or announcement, including

any notice or announcement of intent to adopt such procedures or regulations) (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 Corresponding Debenture Issuer or such R-PreTS[sm] 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 Corresponding Debentures, there is more than an insubstantial risk that: (a) such R-PreTS[sm] Issuer is, or will be within 90 days of the date of such opinion, subject to U.S. federal income tax with respect to income received or accrued on the Corresponding Debentures; (b) interest payable by the REIT Corresponding Debenture Issuer on its Corresponding Debentures is not, or within 90 days of the date of such opinion will not be, deductible by the REIT Corresponding Debenture Issuer, in whole or in part, for U.S. federal income tax purposes; or (c) such R-PreTS[sm] Issuer is, or will be within 90 days of the date of such opinion, subject to more than a *de minimis* amount of other taxes, duties or other governmental charges.

"**Investment Company Event**" means, with respect to an R-PreTS[sm], the receipt by the related R-PreTS[sm] Issuer and the related Corresponding Debenture Issuer of an opinion of counsel experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or written change (including any announced prospective 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 R-PreTS[sm] Issuer is or, within 90 days of such opinion, will be considered an "investment company" that is required to be registered under the Investment Company Act, which change or prospective change becomes effective or would become effective, as the case may be, on or after the date of the issuance of the Corresponding Debentures.

Redemption Price for the R-PreTS[sm]

Optional Redemption Price. In the event of an optional redemption on any Capital Security Payment Date on or after the related First Call Date, the redemption price of the Corresponding Debentures required to be paid by the applicable REIT Corresponding Debenture Issuer to its subsidiary R-PreTS[sm] Issuer will be 100% of the principal amount of the Corresponding Debentures being redeemed, plus accrued and unpaid interest (including any Deferred Interest) on such Corresponding Debentures to the Redemption Date (the "**Optional Redemption Price**").

Special Redemption Price. With respect to two R-PreTS[sm] Issuers, in the event of a redemption of its Floating R-PreTS[sm] as a result of a Special Event, the redemption price of the Corresponding Debentures (the "**Special Redemption Price**") required to be paid by the applicable Corresponding Debenture Issuer to its subsidiary R-PreTS[sm] Issuer will be the following amounts expressed as a percentage of the principal amount of such Corresponding Debentures being redeemed:

Collateral Security Payment Date Occurring In	**Redemption Price**
December 2006	104.625%
March 2007	104.300%
June 2007	104.000%
September 2007	103.650%
December 2007	103.350%
March 2008	103.000%
June 2008	102.700%
September 2008	102.350%
December 2008	102.050%
March 2009	101.700%
June 2009	101.400%
September 2009	101.050%
December 2009	100.750%
March 2010	100.450%

June 2010	100.200%
September 2010 and thereafter	100.000%

With respect to one R-PreTS[sm] Issuer, in the event of a redemption of a R-PreTS[sm] as a result of a Special Event, the Special Redemption Price required to be paid by the applicable Affiliated Depository Institution HC to its subsidiary R-PreTS[sm] Issuer will be the following amounts expressed as a percentage of the principal amount of such Corresponding Debentures being redeemed:

Collateral Security Payment Date Occurring In	**Redemption Price**
September 2006	104.625%
December 2006	104.300%
March 2007	104.000%
June 2007	103.650%
September 2007	103.350%
December 2007	103.000%
March 2008	102.700%
June 2008	102.350%
September 2008	102.050%
December 2008	101.700%
March 2009	101.400%
June 2009	101.050%
September 2009	100.750%
December 2009	100.450%
March 2010	100.200%
June 2010 and thereafter	100.000%

Fixed/Floating R-PreTS[sm]. In the event of a redemption of a Fixed/Floating R-PreTS[sm] as a result of a Special Event, the redemption price of the Corresponding Debentures (also a "**Special Redemption Price**") required to be paid by the applicable Corresponding Debenture Issuer to its subsidiary R-PreTS[sm] Issuer will generally be (1) if the Redemption Date is before the First Call Date in respect of the R-PreTS[sm], the greater of (a) 107.5% of the principal amount of such Corresponding Debentures being redeemed, plus accrued and unpaid interest (including any Deferred Interest) on such Corresponding Debentures to the Redemption Date and (b) the sum of the present values of the scheduled payments of principal and interest on such Corresponding Debentures from such Special Redemption Date to such First Call Date (assuming such Corresponding Debentures matured on the First Call Date), discounted to the Special Redemption Date on a quarterly basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (a yield determined in accordance with the REIT Corresponding Debenture Issuer Indenture and based on a United States Treasury security with a maturity comparable to the period from the Special Redemption Date to the First Call Date), plus accrued and unpaid interest (including any Deferred Interest) on such Corresponding Debentures to the Redemption Date and (2) if the Redemption Date is on or after the First Call Date in respect of the Fixed/Floating R-PreTS[sm], at par plus accrued and unpaid interest on such Fixed/Floating R-PreTS[sm] to the Redemption Date.

Voting

The Issuer will own all of the R-PreTS[sm] issued by one of the three R-PreTS[sm] Issuers and as a result, the Issuer will control matters as to which the Issuer is requested to vote or give its consent in respect of one of the three R-PreTS[sm] Issuers. The Issuer will own less than a majority of the Principal Balance of two of the R-PreTS[sm]. Consequently, the Issuer will not be able to control any matters as to which the Issuer is requested to vote or give its consent in respect of such R-PreTS[sm] Issuers and their R-PreTS[sm].

Description of the Corresponding Debentures Owned by the R-PreTS[sm] Issuers

General. Concurrently with the issuance of its R-PreTS[sm], each R-PreTS[sm] Issuer will invest the proceeds thereof in Corresponding Debentures up to the Liquidation Amount of the related R-PreTS[sm]. The consideration received by such R-PreTS[sm] Issuer from its parent REIT Corresponding Debenture Issuer for its Common Securities will also be invested in Corresponding Debentures. The R-PreTS[sm] issued by an R-PreTS[sm] Issuer will only receive payments in respect of the Corresponding Debentures represented by and allocable (on a *pro rata* basis) to such R-PreTS[sm] with an initial principal balance equal to the Liquidation Amount of such R-PreTS[sm] and will not receive payments in respect of the Corresponding Debentures represented by and allocable to the Common Securities of that R-PreTS[sm] Issuer. The Corresponding Debentures will represent junior subordinated, unsecured debt and will be issued pursuant to separate REIT Corresponding Debenture Issuer Indentures. Wilmington Trust will be the trustee under each REIT Corresponding Debenture Issuer Indenture in respect of each R-PreTS[sm] Issuer (in respect of each R-PreTS[sm] Issuer, the "**Debenture Trustee**").

No REIT Corresponding Debenture Issuer Indenture will contain provisions that afford the R-PreTS[sm] Issuer, as the holder of the Corresponding Debentures, protection in the event of a highly leveraged transaction or other similar transaction involving the REIT Corresponding Debenture Issuer that may adversely affect such holders.

Subordination. Each REIT Corresponding Debenture Issuer Indenture will provide that the Corresponding Debentures will be subordinated and junior in right of payment to all present and future Senior Indebtedness (as defined thereunder and as described in the Glossary of Certain Defined Terms) of the applicable REIT Corresponding Debenture Issuer. No payment of principal (including redemption payments) or interest on the Corresponding Debentures may be made (in cash, property, securities, by set-off or otherwise) if (i) any Senior Indebtedness of such REIT Corresponding Debenture 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 REIT Corresponding Debenture Issuer has been accelerated because of a default. Upon any distribution of assets of the REIT Corresponding Debenture Issuer to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all principal and interest due or to become due on all Senior Indebtedness of the REIT Corresponding Debenture Issuer must be paid in full before the holders of the Corresponding Debentures are entitled to receive or retain any payment. Upon satisfaction of all claims of all Senior Indebtedness then outstanding, the rights of the holders of the Corresponding Debentures will be subrogated to the rights of the holders of Senior Indebtedness of the REIT Corresponding Debenture Issuer to receive payments or distributions applicable to Senior Indebtedness until the principal of (and premium, if any) and interest on the Corresponding Debentures are paid in full. There is no limit to the aggregate amount of Senior Indebtedness that may be issued by any REIT Corresponding Debenture Issuer.

The right of a REIT Corresponding Debenture Issuer to participate in any distribution of assets of any subsidiary upon such subsidiary's liquidation or reorganization or otherwise is subject to the prior claims of creditors of that subsidiary, except to the extent the REIT Corresponding Debenture Issuer may itself be recognized as a creditor of that subsidiary. A REIT Corresponding Debenture Issuer may rely primarily on dividends from such subsidiaries to meet its obligations for payment of principal and interest on its outstanding debt obligations and corporate expenses. Consequently, the principal sources of a REIT Corresponding Debenture Issuer's income will be dividends, interest and fees from its subsidiaries. Accordingly, a REIT Corresponding Debenture Issuer's obligations under its Corresponding Debentures will be effectively subordinated to all existing and future liabilities of that REIT Corresponding Debenture Issuer's subsidiaries.

Redemption. Each REIT Corresponding Debenture Issuer may redeem its Corresponding Debentures in whole, but not in part, on any Special Redemption Date, and at any time and from time to time, on any

Capital Security Payment Date in respect of the related R-PreTS[sm] on or after the First Call Date as described in "—Redemption and Prepayments of the R-PreTS[sm]".

Interest. Each Corresponding Debenture will bear interest as described above under "—Terms of the R-PreTS[sm]". The amount of interest payable for any period will be computed on the basis of (a) with respect to the R-PreTS[sm] (except for the Fixed/Floating R-PreTS[sm] during their respective Capital Securities Fixed Rate Periods), the actual number of days in the related quarterly accrual period and a 360-day year, and (b) with respect to the Fixed/Floating R-PreTS[sm] during their respective Capital Securities Fixed Rate Periods, a 360-day year of twelve 30-day months.

Additional Sums. If at any time as a result of a Tax Event a R-PreTS[sm] Issuer is required to pay any taxes, duties, assessments or governmental charges of whatever nature (including withholding taxes) imposed by the U.S., or any other taxing authority, then, in any such case, its parent REIT Corresponding Debenture Issuer will pay as additional amounts ("**Additional Sums**") on the Corresponding Debentures such additional amounts as shall be required so that the net amounts received and retained by the R-PreTS[sm] Issuer after paying any such taxes, duties, assessments or other governmental charges will equal the amounts the R-PreTS[sm] Issuer would have received had no such taxes, duties, assessments or other governmental charges been imposed.

Ownership of Common Securities. The parent Corresponding Debenture Issuer of each R-PreTS[sm] Issuer will, for so long as any R-PreTS[sm] Issuer Securities remain outstanding, maintain 100% ownership of the Common Securities of such R-PreTS[sm] Issuer; *provided*, *however*, that any permitted successor of a REIT Corresponding Debenture Issuer may succeed to such REIT Corresponding Debenture Issuer's ownership of such Common Securities.

Limitation on Mergers and Sales of Assets. Any REIT Corresponding Debenture Issuer of a R-PreTS[sm] Issuer may consolidate or merge with or into any other Person (whether or not affiliated with such REIT Corresponding Debenture Issuer), or sell, convey, transfer or otherwise dispose of its or its successor or successors property as an entirety, or substantially as an entirety, to any other Person (whether or not affiliated with the REIT Corresponding Debenture Issuer or its successor or successors) authorized to acquire and operate the same; *provided*, *however*, that a REIT Corresponding Debenture Issuer will, upon any such consolidation, merger (where the REIT Corresponding Debenture Issuer is not the surviving corporation), sale, conveyance, transfer or other disposition, cause the obligations of such REIT Corresponding Debenture Issuer under its Corresponding Debentures and the related REIT Corresponding Debenture Issuer Indenture to be expressly assumed by the successor entity formed by such consolidation or into which the REIT Corresponding Debenture Issuer shall have been merged, or which shall have acquired such property.

Events of Default, Waiver and Notice. Each REIT Corresponding Debenture Issuer Indenture provides that any one or more of the following described events which has occurred and is continuing with respect to the Corresponding Debentures issued pursuant to such REIT Corresponding Debenture Issuer Indenture constitutes an "event of default" with respect to the Corresponding Debentures:

(a) default for 30 days in the payment of any interest on such Corresponding Debentures, including any Deferred Interest in respect thereof, when due; or

(b) default in payment of principal of (or premium, if any, on) such Corresponding Debentures when due either at maturity, upon redemption, by declaration of acceleration or otherwise; or

(c) default by the REIT Corresponding Debenture Issuer in the performance of, or breach of, certain other of the covenants or agreements in the REIT Corresponding Debenture Issuer Indenture which shall not have been remedied for a period of 60 days after written notice to the REIT Corresponding Debenture Issuer by the Debenture Trustee or to the REIT Corresponding Debenture

Issuer and the Debenture Trustee by the holders of not less than 25% in aggregate principal amount of the related Corresponding Debentures; or

(d) certain events of bankruptcy, insolvency or reorganization of the REIT Corresponding Debenture Issuer; or

(e) the Liquidation of the REIT Corresponding Debenture Issuer's subsidiary R-PreTS[sm] Issuer, except in connection with the distribution of the Corresponding Debentures to the holders of R-PreTS[sm] Issuer Securities in liquidation of the R-PreTS[sm] Issuer, the redemption of all of the R-PreTS[sm] Issuer Securities, or certain mergers, consolidations or amalgamations, permitted by the related Declaration.

If an event of default described 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 Corresponding Debentures then outstanding may declare the principal of and accrued interest on all such Corresponding Debentures to be due and payable immediately, but upon certain conditions such declarations may be annulled and past defaults may be waived (except defaults in payment of principal of or interest or premium on the 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 any holder of any Corresponding Debenture to receive payment of the principal of, 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 REIT Corresponding Debenture Issuer Indenture by a REIT Corresponding Debenture Issuer also constitutes an event of default under the related Declaration (a "**Declaration Event of Default**"). Upon the occurrence of a Declaration Event of Default, the Institutional Trustee will have the same rights and remedies as the Debenture Trustee has under the applicable REIT Corresponding Debenture Issuer Indenture. A waiver of any event of default under a REIT Corresponding Debenture Issuer Indenture will constitute a waiver of the corresponding Declaration Event of Default.

Repurchase Right. One R-PreTS[sm] Issuer's Declaration provides that each holder of R-PreTS[sm] has the right to require the R-PreTS[sm] Issuer to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such holder's R-PreTS[sm] at an offer price in cash equal to 100% of the aggregate principal amount thereof plus accrued and unpaid interest thereon, if any, to the date of purchase upon a change of control of the parent Corresponding Debenture Issuer of the R-PreTS[sm] Issuer. "Change of control" is defined as (i) the acquisition by any individual, entity or group of beneficial ownership of 50% or more of either the then outstanding capital stock of such parent Corresponding Debenture Issuer or the combined voting power of the then outstanding voting securities of such parent Corresponding Debenture Issuer entitled to vote generally in the election of directors, (ii) consummation of (A) a reorganization, merger or consolidation of such parent Corresponding Debenture Issuer, in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the capital stock and voting securities of such parent Corresponding Debenture Issuer immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of the then outstanding shares of capital stock and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors or managers of the entity resulting from such reorganization, merger or consolidation or (B) the sale, lease, exchange or other disposition of all or substantially all of the assets of such parent Corresponding Debenture Issuer to any other person or entity (except a subsidiary or parent corporation, including, without limitation, any subsidiary or parent corporation newly formed for such purpose), or (iii) approval by the stockholders of such parent Corresponding Debenture Issuer of a complete liquidation or dissolution of such parent Corresponding Debenture Issuer. On the Closing Date, the Principal Balance of such R-PreTS[sm] will equal U.S.$15,000,000 and account for approximately 1.02% of the aggregate Principal Balance of all of the Capital Securities.

Effect of Obligations with Respect to the R-PreTS[sm]

Corresponding Debentures. As long as payments of interest and other payments are made when due on the Corresponding Debentures, such payments will be sufficient to cover distributions and payments due on the related R-PreTS[sm] because of the following factors: (i) the aggregate principal amount of the Corresponding Debentures (exclusive of the portion thereof allocable to the Common Securities) will be equal to the aggregate stated Principal Balance of the related R-PreTS[sm]; (ii) the interest rate and the payment dates on the Corresponding Debentures will match the rate borne by the R-PreTS[sm] and distribution dates for the R-PreTS[sm]; and (iii) the parent REIT Corresponding Debenture Issuer will be obligated to pay all, and its subsidiary R-PreTS[sm] Issuer will not be obligated to pay directly or indirectly any, costs, expenses, debts, and other obligations of such R-PreTS[sm] Issuer (other than distributions on its R-PreTS[sm] Issuer Securities).

If a REIT Corresponding Debenture Issuer fails to make interest or other payments on the Corresponding Debentures when due or another event of default under the related REIT Corresponding Debenture Issuer Indenture has occurred and is continuing, the Declaration provides a mechanism whereby the holders of the R-PreTS[sm] (which will include the Issuer) may direct the Institutional Trustee, to the fullest extent permitted by law, to enforce its rights under the Corresponding Debentures. Subject to certain limitations in the related REIT Corresponding Debenture Issuer Indenture, holders of not less than 25% in aggregate principal amount of the R-PreTS[sm] may to the fullest extent permitted by law institute a legal proceeding against the REIT Corresponding Debenture Issuer to enforce the Institutional Trustee's rights under the Corresponding Debentures without first instituting any legal proceedings against the Institutional Trustee or any other person or entity. Notwithstanding the foregoing, if a Declaration Event of Default has occurred and is continuing and such event is attributable to the failure of the REIT Corresponding Debenture Issuer to pay principal or interest on the Corresponding Debentures on the respective dates such principal or interest is payable (or in the case of redemption, on the Redemption Date), then holders of not less than 25% in aggregate principal amount of the R-PreTS[sm] may institute a direct cause of action for payment on or after the respective due dates specified in the Corresponding Debentures. See "—Voting".

General. The provisions described above are intended to enable the Trustee to effectively enforce the Noteholders' rights if a default occurs on any R-PreTS[sm] or Corresponding Debentures. The Indenture will provide that if such a default occurs, the Requisite Noteholders will have the right to direct the Trustee with respect to any action to be taken by the Trustee, including, without limitation, engaging in restructuring efforts, bringing enforcement proceedings, engaging investment banking or asset management firms, disposing of defaulted R-PreTS[sm] and/or taking any other measures. Because of the illiquid nature of the R-PreTS[sm], it is unlikely that the Trustee would be able to sell a defaulted R-PreTS[sm], or , upon a Liquidation, a Corresponding Debenture, as the case may be, on economically acceptable terms. In addition, if a breach of a representation or warranty in an Underlying Instrument for a R-PreTS[sm] (or the related REIT Corresponding Debenture Issuer Indenture, the related placement agreement or certain other related documents) occurs and materially adversely affects the Issuer as the holder of such R-PreTS[sm], then the Requisite Noteholders may direct the Trustee to exercise the Issuer's rights under those documents, which may include the disposition of such R-PreTS[sm]. No assurance can be given that such a disposition will be possible. However, no such disposition in connection with such breach of representation or warranty shall be made unless the Trustee receives a confirmation from each Rating Agency that such disposition will not result in the reduction, withdrawal or negative qualification of its then current ratings for the Senior Notes or Mezzanine Notes. The Trustee will be fully protected with respect to any action taken by it in reasonable good faith at the direction of the Requisite Noteholders.

R-PreTS[sm] Liquidation and Distribution Upon Dissolution

In the event of the voluntary or involuntary liquidation, dissolution, winding-up or termination of a R-PreTS[sm] Issuer (each a "**Liquidation**") other than in connection with a redemption of Corresponding Debentures, holders of the R-PreTS[sm] will be entitled to receive out of the assets of such R-PreTS[sm] Issuer available for distribution to holders of the R-PreTS[sm], after satisfaction of liabilities to creditors of the R-PreTS[sm] Issuer (to the extent not satisfied by the REIT Corresponding Debenture Issuer), distributions equal to the aggregate of the stated liquidation amount of the R-PreTS[sm] plus accrued and unpaid distributions thereon

to the date of payment (such amount being the "**Liquidation Distribution**"), unless in connection with such Liquidation, the Corresponding Debentures in an aggregate stated principal amount equal to the aggregate stated liquidation amount of such R-PreTS[sm] are distributed on a *pro rata* basis to holders of the R-PreTS[sm] in exchange for such R-PreTS[sm].

Each REIT Corresponding Debenture Issuer has the right at any time to dissolve its subsidiary R-PreTS[sm] Issuer (including without limitation upon the occurrence of a Special Event) after satisfaction of liabilities to creditors of such R-PreTS[sm] Issuer, cause the related Corresponding Debentures to be distributed to holders of R-PreTS[sm] on a *pro rata* basis in accordance with the aggregate stated Principal Balance thereof.

Each R-PreTS[sm] Issuer will dissolve on the first to occur of (i) the date of expiration of the term of the R-PreTS[sm] Issuer which is approximately 35 years after the issuance of the related R-PreTS[sm], the earliest of which dates is June 15, 2041 and the latest of which is December 15, 2041, (ii) the bankruptcy of its parent Corresponding Debenture Issuer or such R-PreTS[sm] Issuer, (iii) the filing of a certificate of dissolution of its parent REIT Corresponding Debenture Issuer or the revocation of the charter of its parent REIT Corresponding Debenture Issuer, (iv) the distribution to holders of R-PreTS[sm] Issuer Securities of the related Corresponding Debentures, (v) the entry of a decree of a judicial dissolution of such R-PreTS[sm] Issuer or its REIT Corresponding Debenture Issuer or (vi) when all of the R-PreTS[sm] Issuer Securities have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the holders in accordance with the terms of the R-PreTS[sm] Issuer Securities. As soon as practicable after the dissolution of the R-PreTS[sm] Issuer and upon completion of the winding up of the R-PreTS[sm] Issuer, the R-PreTS[sm] Issuer shall terminate upon the filing of a certificate of cancellation with the Secretary of State of the State of Delaware.

If a Liquidation occurs as described in clause (i), (ii), (iii) or (v) of the preceding paragraph, a R-PreTS[sm] Issuer shall be liquidated by distributing to the holders of the R-PreTS[sm] Issuer Securities, after satisfaction of liabilities to creditors of such R-PreTS[sm] Issuer, to the extent not satisfied by the REIT Corresponding Debenture Issuer, the related Corresponding Debentures, unless such distribution is determined by the Institutional Trustee not to be practical, in which event such holders will be entitled to receive out of the assets of the R-PreTS[sm] Issuer available for distribution to holders, after satisfaction of liabilities to creditors of the R-PreTS[sm] Issuer to the extent not satisfied by the REIT Corresponding Debenture Issuer, an amount equal to the Liquidation Distribution. An early Liquidation of the R-PreTS[sm] Issuer pursuant to clause (iv) above shall occur only if the Institutional Trustee determines that such Liquidation is possible by distributing to the holders of the R-PreTS[sm] Issuer Securities, after satisfaction of liabilities to creditors of the R-PreTS[sm] Issuer to the extent not satisfied by the REIT Corresponding Debenture Issuer, the related Corresponding Debentures, and such distribution occurs.

If, upon any such Liquidation, the Liquidation Distribution can be paid only in part because a R-PreTS[sm] Issuer has insufficient assets available to pay in full the aggregate Liquidation Distribution and the amount due on its Common Securities, then the amounts payable directly by such R-PreTS[sm] Issuer shall be paid to the holders of the R-PreTS[sm] Issuer Securities on a *pro rata* basis. The holders of the Common Securities issued by the R-PreTS[sm] Issuer will be entitled to receive distributions upon any such Liquidation *pro rata* with the holders of such R-PreTS[sm], except that if a Declaration Event of Default has occurred and is continuing in respect of the R-PreTS[sm] Issuer, the R-PreTS[sm] shall have a preference over the Common Securities with regard to such distributions.

R-PreTS[sm] Mergers, Consolidations or Amalgamations

Each Declaration will provide that the R-PreTS[sm] 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 body, except as described. A R-PreTS[sm] Issuer may, with the consent of the Institutional Trustee and without the consent of the holders of the R-PreTS[sm], consolidate, amalgamate, merge with or into, or be replaced by, a trust organized as such under the laws of any state of the U.S.; *provided* that

(i) if such R-PreTS[sm] Issuer is not the survivor, such successor entity either (x) expressly assumes all of the obligations of the R-PreTS[sm] Issuer under the R-PreTS[sm] Issuer Securities or (y) substitutes for the R-PreTS[sm] Issuer Securities other securities having substantially the same terms as the R-PreTS[sm] Issuer Securities (the "**Successor Securities**"), so that the Successor Securities rank the same as the R-PreTS[sm] Issuer Securities rank in priority with respect to distributions and payments upon liquidation, redemption and otherwise, (ii) a trustee of such successor entity possessing the same powers and duties as the Institutional Trustee is appointed as the holder of the Corresponding Debentures, (iii) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of such R-PreTS[sm] Issuer Securities (including any Successor Securities) in any material respect, (iv) the Institutional Trustee receives written confirmation from each Rating Agency that it will not reduce or withdraw its rating of the Senior Notes or the Mezzanine Notes because of such merger, conversion, consolidation, amalgamation or replacement, (v) such successor entity has a purpose substantially identical to that of the R-PreTS[sm] Issuer, (vi) prior to such merger, consolidation, amalgamation or replacement, the R-PreTS[sm] Issuer has received an opinion of a nationally recognized independent counsel to the R-PreTS[sm] Issuer experienced in such matters to the effect that (A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the R-PreTS[sm] Issuer Securities (including any Successor Securities) in any material respect, (B) following such merger, consolidation, amalgamation or replacement, neither the R-PreTS[sm] Issuer nor such successor entity will be required to register as an investment company under the Investment Company Act and (C) following such merger, consolidation, amalgamation or replacement, neither the R-PreTS[sm] Issuer nor such successor entity will be classified as other than a grantor trust for U.S. federal income tax purposes, (vii) the REIT Corresponding Debenture Issuer owns 100% of the common securities of any successor entity and (viii) prior to such merger, consolidation, amalgamation or replacement, the Institutional Trustee must receive an officers' certificate and an opinion of counsel, each to the effect that all of the above conditions precedent have been satisfied.

DESCRIPTION OF THE HEDGE AGREEMENTS

General

On the Closing Date, the Issuer will enter into one or more ISDA Master Agreements with each Hedge Provider, together, in each case, with one or more schedules thereto and confirmations thereunder (each, an "**ISDA Master**"). Together, the ISDA Masters are intended to hedge potential interest rate mismatches or deficiencies, as the case may be, in respect of:

(i) the interest receivable at a fixed rate during the Capital Securities Fixed Rate Period on certain Capital Securities;

(ii) the interest due on the Class B-2 Mezzanine Notes and the Class C-2 Mezzanine Notes at their respective fixed rates during the Five-Year Fixed Rate Period;

(iii) the calculation of LIBOR on the PreTSL III PreTS[sm] (the "**Timing Swap**"); and

(iv) the interest payable on certain floating rate Capital Securities at a rate which will not exceed a certain specified rate during each quarterly period ending on a designated anniversary of the issuance of such floating rate Capital Securities (the "**Interest Rate Cap**").

The swap transactions referred to Clauses (i) and (ii) above are collectively referred to as the "**Fixed/Floating Swaps**". The Fixed/Floating Swaps, the Timing Swap and the Interest Rate Cap are collectively referred to as the "**Hedge Agreements**".

The rights of the Issuer under the Hedge Agreements will be pledged to the Trustee pursuant to the Indenture as security for the payments due on the Notes. The following summary generally describes certain

provisions of the Hedge Agreements. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of each of the Hedge Agreements.

Fixed/Floating Swaps

With respect to Fixed/Floating Swaps having an expected aggregate notional amount of U.S.$422,100,000, (i) the Issuer will be required to make certain fixed payments to the related Swap Counterparty based on the notional amount of the related Fixed/Floating Swap and the applicable fixed rate set forth in the related Fixed/Floating Swap and (ii) the related Swap Counterparty will be required to make certain floating payments to the Issuer based on the notional amount of the related Fixed/Floating Swap and LIBOR (as determined under the applicable Fixed/Floating Swap) for each accrual period. The term for most of these Fixed/Floating Swaps does not exceed five years.

With respect to a Fixed/Floating Swap having an aggregate notional amount of U.S.$59,000,000, (i) the Issuer will be required to make certain floating payments to the Swap Counterparty based on the notional amount of the Fixed/Floating Swap and LIBOR (as determined under the applicable Fixed/Floating Swap) for each accrual period and (ii) the related Swap Counterparty will be required to make certain fixed payments to the Issuer based on the notional amount of the Fixed/Floating Swap and the applicable fixed rate set forth in the Fixed/Floating Swap. The term of this Fixed/Floating Swap is five years.

Timing Swap

The Bank of New York (the "**Timing Swap Counterparty**") will be the Hedge Provider for the Timing Swap.

Under the Timing Swap, (i) the Issuer will be required to make certain payments to the Timing Swap Counterparty based on the notional amount of the Timing Swap and LIBOR (as determined on or about the date that LIBOR is determined with respect to the PreTSL III PreTS[sm]) and (ii) the Timing Swap Counterparty will be required to make certain payments to the Timing Swap Counterparty based on the notional amount of the Timing Swap and LIBOR (as determined on or about the LIBOR Determination Date for the related Interest Accrual Period for the Notes).

As of the Closing Date, the notional amount of the Timing Swap will be U.S.$466,450,000. However, the notional amount of the Timing Swap will be reduced following any redemptions, prepayments, or other dispositions of the PreTSL III PreTS[sm] and following any payments by the Issuer pursuant to clauses (iii), (v), (vii), (ix) and (x) of clause (a) of the Priority of Payments, in respect of any PreTSL III PreTS[sm]. As of any date of determination, the notional amount of the Timing Swap will equal (x) the Aggregate Principal Amount of PreTSL III PreTS[sm] held by the Issuer as of such date minus (y) the aggregate amount paid by the Issuer pursuant to clauses (iii), (v), (vii), (ix) and (x) of clause (a) of the Priority of Payments in respect of any PreTSL III PreTS[sm] held by the Issuer as of such date. In connection with any reduction in the notional amount of the Timing Swap, the Issuer may be obligated to make a termination payment to the Timing Swap Counterparty (based on interest rate market conditions at the time of determination), which payment may be substantial. See "—Termination and Assignment".

Interest Rate Cap

The Bank of New York (the "**Interest Rate Cap Provider**") will be the Hedge Provider in respect of the Interest Rate Cap. The Interest Rate Cap was originally entered into by PreTSL III on or about July 31, 2001 so that the Periodic Premium Payment (defined below) payable by the Issuer was determined by market conditions (including the time until the maturity of the Interest Rate Cap) at that time. The Issuer will not receive any up-front payment in connection with the Interest Rate Cap.

Under the Interest Rate Cap, if LIBOR (as determined by the Interest Rate Cap Provider in accordance with the Interest Rate Cap) for the related quarterly accrual period specified in the Interest Rate Cap exceeds 8.92%, then on each February 1, May 1, August 1 and November 1 to and including August 1, 2011, the Interest Rate Cap Provider will be obligated to pay to the Issuer an amount equal to the product of (i) such

excess, (ii) the Cap Notional Amount and (iii) the actual number of days in the related accrual period divided by 360 (the "**Cap Interest Differential Amount**").

In exchange for the protection provided by the Interest Rate Cap, the Issuer will pay a premium to the Interest Rate Cap Provider in the amount of U.S.$369,061.31 with respect to each quarterly accrual period (the "**Periodic Premium Payment**").

The Interest Rate Cap will terminate on August 1, 2011.

The Cap Notional Amount will be U.S.$467,288,097.10.

Termination and Assignment

Each ISDA Master may be terminated at any time by the Non-defaulting or Non-Affected Party (as such terms are defined in the respective ISDA Master), which may be the Issuer or related Hedge Provider, whether or not the Notes have been paid in full prior to such termination, upon the occurrence of an ISDA Event of Default or ISDA Termination Event. An "**ISDA Event of Default**" includes, among other things, (i) certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization of the Issuer or the related Hedge Provider, or (ii) failure on the part of such Hedge Provider or the Issuer to make any payment or delivery under the related ISDA Master when due, subject to a grace period of three Business Days, and such other events as set forth in the schedule to such ISDA Master as "Events of Default". Consequently, a failure to pay under any Fixed/Floating Swap, the Timing Swap or the Interest Rate Cap under an ISDA Master Agreement will be an ISDA Event of Default under all of the Fixed/Floating Swaps that are part of such ISDA Master and under the Interest Rate Cap and the Timing Swap, if such Interest Rate Cap or Timing Swap is part of such ISDA Master. An "**ISDA Termination Event**" under an ISDA Master includes, among other things, a change in law making it illegal for either the Issuer or the related Hedge Provider to be a party to, or perform an obligation under, the ISDA Master and such other events as are set forth in the schedule to the ISDA Master as "Termination Events" or "Additional Termination Events".

Upon a termination of a Hedge Agreement, whether or not caused by the Issuer, the Issuer may be obligated to make a termination payment to the related Hedge Provider. Such termination payment may be substantial. Upon such a termination, there can be no assurance that the Issuer will have sufficient resources to enter into a replacement transaction to hedge potential interest rate mismatches with respect to the Capital Securities.

If at any time an ISDA Master becomes subject to early termination due to the occurrence of an ISDA Event of Default or an ISDA Termination Event thereunder, the Issuer and the Trustee will take such actions (following the expiration of any applicable grace period) to enforce the rights of the Issuer and the Trustee, as may be permitted by the terms of such ISDA Master and the Indenture, and will apply the proceeds of any such actions to enter into a replacement ISDA Master on substantially identical terms or on such other terms as the Rating Agencies confirm in writing would not cause such Rating Agency's then-current ratings of the Senior Notes or Mezzanine Notes to be reduced, withdrawn or suspended, as applicable. Any costs attributable to entering into a replacement ISDA Master which exceed the sum of the proceeds of the liquidation of such ISDA Master will be borne solely by the Issuer. Any proceeds of the liquidation of an ISDA Master which exceed the costs attributable to entering into a replacement ISDA Master will be treated as Interest Collections and deposited into the Collection Account. There can be no assurance that, after an early termination of an ISDA Master, the Issuer will have sufficient resources to enter into a replacement transaction in order to hedge potential interest rate mismatch with respect to the Capital Securities.

Certain Fixed/Floating Swaps will be terminated if and to the extent that the related Capital Security is prepaid or otherwise disposed of; others may not be terminated in connection with such events. In addition, following any redemptions, prepayments, or other dispositions of the PreTSL III PreTS^{sm} and following any payments by the Issuer pursuant to clauses (iii), (v), (vii), (ix) and (x) of clause (a) of the Priority of Payments, in respect of any PreTSL III PreTS^{sm}, the notional amount of the Timing Swap will be reduced. Upon any

such termination or reduction in notional amount, the Issuer may be obligated to make a termination payment, depending on interest rate market conditions at that time, which may be substantial.

Pursuant to the terms of each ISDA Master, if a specified debt rating of the related Hedge Provider (the "**Downgraded Party**") is below any of certain applicable Rating Agency ratings specified in such ISDA Master, the Downgraded Party may be obligated to (i) pledge and assign to the Trustee collateral consisting of cash and/or other eligible investments to be documented under an ISDA Credit Support Annex or (ii) assign its rights and obligations under the ISDA Master to a counterparty selected by the Downgraded Party which is rated at least the applicable Rating Agency rating specified in the ISDA Master, subject to the assumption by such party of all of the Downgraded Party's obligations under the ISDA Master and subject to certain payments being made by or to the Downgraded Party as a result of any such assignment. The rating levels and collateral levels referred to in this paragraph and elsewhere in this section are determined by the Rating Agencies and may be changed, before or after the issuance of the Notes and without the consent of any Noteholder, upward or downward so long as each Rating Agency confirms that such change will not result in the reduction, suspension or withdrawal of any of its then-current ratings for the Senior Notes or the Mezzanine Notes. At the date of this Offering Circular, such ratings are A-1 from S&P (A+ if the Downgraded Party does not have a S&P short-term issuer credit rating), F1 and A from Fitch and A-1 and P-1 from Moody's (Aa3 if the Downgraded Party does not have a Moody's short-term rating). Any failure to take the remedial action described above within the time period specified in an ISDA Master will constitute an ISDA Termination Event.

The Issuer will not terminate any ISDA Master in the circumstances described in the preceding paragraph unless and until the Issuer has entered into substitute Hedge Agreements, as applicable, that will maintain the then current ratings of the Class A-X Notes, Senior Notes and Mezzanine Notes.

The Indenture provides for certain remedies that may be exercised upon the occurrence of a default under a Hedge Agreement for which the related Hedge Provider is the Defaulting or Affected Party, including, as applicable, terminating an ISDA Master or entering into a substitute therefor. No assurance can be given that the Issuer will be able to enter into an acceptable substitute for the terminated ISDA Master.

To secure payment by the Issuer of amounts owed by it under each Hedge Agreement, the related Swap Counterparty will be granted a lien on the Trust Estate that ranks *pari passu* with the lien in favor of the Holders of the Notes under the Indenture. Each Swap Counterparty will be a beneficiary under the Indenture.

Each Hedge Agreement will be governed by and construed in accordance with the laws of the State of New York and will be documented on forms published by the International Swaps and Derivatives Association, Inc.

Each Hedge Agreement will be part of an ISDA Master with the related Hedge Provider, as applicable.

Without the consent of any Noteholder, the Issuer and the related Hedge Provider may make changes to any of the terms of any of the applicable Hedge Agreements or the related ISDA Master, including changes prior to its execution, so long as each Rating Agency confirms that the change will not result in a downgrade or withdrawal of its then-current rating of any class of Notes rated by it or the non-issuance of its rating of any class of the Notes to be rated by it.

Hedge Providers

ABN AMRO

ABN AMRO Bank N.V., a public limited liability company incorporated under the laws of The Netherlands ("**ABN AMRO**"), is an international banking group offering a wide range of banking products and financial services on a global basis through a network of 3,557 offices and branches in 58 countries and

territories as of year-end 2005. ABN AMRO is one of the largest banking groups in the world, with total consolidated assets of €880.8 billion at December 31, 2005. As of the date of this Offering Circular, ABN AMRO's senior unsecured debt obligations are rated "AA-" by S&P and "Aa3" by Moody's.

Additional information, including the most recent form 20-F for the year ended December 31, 2005 of ABN AMRO Holding N.V., the parent company of ABN AMRO, and additional quarterly and current reports filed with the Securities and Exchange Commission (the "**SEC**") by ABN AMRO Holding N.V., may be obtained upon written request to ABN AMRO Bank N.V., ABN AMRO Investor Relations Department, Hoogoorddreef 66-68, P.O. Box 283, 1101 BE Amsterdam, The Netherlands. Except for the information provided in this paragraph and in the immediately preceding paragraph, neither ABN AMRO nor ABN AMRO Holding N.V. have been involved in the preparation of, and do not accept responsibility for, this Offering Circular.

Bank of America

Bank of America, N.A. ("**BoA**") is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. BoA is a wholly-owned indirect subsidiary of Bank of America Corporation (the "**Corporation**") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of June 30, 2006, BoA had consolidated assets of $1,160 billion, consolidated deposits of $564 billion and stockholder's equity of $102 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2005, together with any subsequent documents it filed with the SEC pursuant to the Exchange Act.

Recent Developments*:* On January 1, 2006, the Corporation completed its merger with MBNA Corporation.

Additional information regarding the foregoing is available from the filings made by the Corporation with the SEC, which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation, BoA and the foregoing mergers contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

Moody's currently rates BoA's long-term debt as "Aa1" and short-term debt as "P-1". S&P rates BoA's long-term debt as "AA" and its short-term debt as "A-1+". Fitch rates long-term debt of BoA as "AA-" and short-term debt as "F1+". Further information with respect to such ratings may be obtained from Moody's, S&P and Fitch, respectively. No assurances can be given that the current ratings of the BoA's instruments will be maintained.

BoA will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of BoA delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to: Bank of America Corporate Communications, 100 North Tryon Street, 18th Floor, Charlotte, North Carolina 28255, Attention: Corporate Communications.

The delivery hereof shall not create any implication that there has been no change in the affairs of the Corporation or BoA since the date hereof, or that the information contained or referred to above is correct as of any time subsequent to its date.

The Bank of New York

Founded in 1784, The Bank of New York is headquartered in New York, NY and is the principal subsidiary of The Bank of New York Company, Inc. The Bank of New York Company, Inc. has a long tradition of collaborating with clients to deliver innovative solutions through its core competencies: securities servicing, treasury management, asset management, and private banking. The Bank of New York Company, Inc's extensive global client base includes a broad range of leading financial institutions, corporations, government entities, endowments and foundations. As of the date hereof, the long-term senior unsecured debt of The Bank of New York is rated, "Aa2" (not on credit watch) by Moody's, "AA-" (outlook stable) by S&P and "AA-" (outlook stable) by Fitch. Said ratings are based on information obtained by the applicable rating agency from The Bank of New York and other sources, and may be changed, suspended or withdrawn as a result of changes in or unavailability of such information, by the rating agency issuing said rating. Said ratings are opinions and information of the applicable rating agency. No assurance is given that any of the ratings described above will remain in effect for any given period of time or that such ratings will not be lowered or withdrawn.

The Bank of New York is also the Trustee under the Indenture and, consequently, a conflict may arise in its role as Trustee in enforcing the payment obligations of itself, as a Swap Counterparty under its Fixed/Floating Swaps, as the Timing Swap Counterparty and as the Interest Rate Cap Provider.

General

The Notes do not represent an obligation of the Hedge Providers. Noteholders will not have any right to proceed directly against any of the Hedge Providers in respect of the Hedge Providers' obligations under the Hedge Agreements.

The Hedge Providers, in their capacity as Hedge Provider, do not owe any duty to the Noteholders, fiduciary or otherwise.

Neither the Issuer nor any of the Placement Agents makes any representation or warranty as to the accuracy or completeness of any information with respect to any Hedge Provider.

THE INDENTURE

The following summaries generally describe certain provisions of the Indenture. The summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the provisions of the Indenture.

Modification of Indenture

Except as set forth below, with the consent of the Requisite Noteholders, the Trustee and the Co-Issuers may execute a supplemental indenture 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 Notes. However, without the consent of the Holders of each Outstanding Note affected thereby, no supplemental indenture may:

(i) change the Stated Maturity Date or Payment Date of any Note or reduce the principal amount thereof or the rate of interest thereon or change the time or amount of any other amount payable in respect of any Note;

(ii) reduce the percentage of the Aggregate Principal Amount of Notes held by Noteholders whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture;

(iii) except as otherwise provided in the Indenture or as required by applicable law, permit the creation of any lien with respect to any part of the Trust Estate or terminate the lien of the Indenture with respect to any property subject thereto or deprive any Noteholder of the security afforded by the lien of the Indenture;

(iv) reduce the percentage of the Aggregate Principal Amount of Notes held by Noteholders whose consent is required to direct the Trustee to preserve or liquidate the Trust Estate as described under "—Events of Default";

(v) modify any of the provisions of the Indenture with respect to supplemental indentures or waiver of defaults and their consequences except to increase the percentage of the Aggregate Principal Amount of Notes whose 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 provisions thereof relating to Priority of Payments or subordination or the definitions of the terms "**Holder**" or "**Outstanding**"; or

(vii) modify any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of principal of or interest on or other amount in respect of any Note or to affect the right of the Noteholders to the benefit of any provisions for the redemption of such Notes contained therein.

The Co-Issuers and the Trustee may also enter into supplemental indentures, without obtaining the consent of Noteholders, in order to (i) add to the covenants of the Co-Issuers for the benefit of the Noteholders or to surrender any right or power conferred upon the Co-Issuers, (ii) pledge any property to or with the Trustee, (iii) evidence and provide for the acceptance of appointment by a successor trustee and to add to or change any of the provisions of the Indenture as shall be necessary to facilitate the administration of the Trust Estate by more than one trustee, (iv) correct or amplify the description of any property at any time subject to the lien of the Indenture, or to better assure, convey and confirm unto the Trustee any property subject to the lien of the Indenture, (v) cure any ambiguity, or correct, modify or supplement any provision which is defective or inconsistent with any other provision in the Indenture or the final Offering Circular or to make any other provisions with respect to matters arising under the Indenture that will not be inconsistent with other provisions of the Indenture; *provided* that such amendment shall not adversely affect in any material respect the interests of the Noteholders or (vi) take any action necessary or helpful to prevent the Co-Issuers or the Trustee from becoming subject to any withholding or other taxes or assessments or to reduce the risk that the Issuer will be engaged in a U.S. trade or business or otherwise subject to U.S. income tax on a net income basis. Pursuant to the terms of the Indenture, the Noteholders, the Hedge Providers and the Rating Agencies will receive notice of any supplemental indentures. The Trustee will not be permitted to enter into any such supplemental indenture unless each Rating Agency confirms that it will not reduce or withdraw any of its then-current ratings of the Senior Notes or Mezzanine Notes (if then Outstanding and rated) as a result of such supplemental indenture.

The consent of the Hedge Providers to supplemental indentures will be required in certain cases.

The Class A-FP Notes, the Class A-1 Senior Notes and the Class A-2 Senior Notes, will be considered one class (i.e., the Senior Notes) for purposes of consents and other action by class of Notes under the Indenture. The Class B-FP Mezzanine Notes, the Class B-1 Mezzanine Notes and the Class B-2 Mezzanine Notes will be considered one class (i.e., the Class B Mezzanine Notes) for purposes of consents and other

action by class of Notes under the Indenture. The Class C-FP Mezzanine Notes, the Class C-1 Mezzanine Notes and the Class C-2 Mezzanine Notes will be considered one class (i.e., the Class C Mezzanine Notes) for purposes of consents and other action by class of Notes under the Indenture. The Class D-FP Mezzanine Notes and the Class D-1 Mezzanine Notes will be considered one class (i.e., the Class D Mezzanine Notes) for purposes of consents and other actions by class of Notes under the Indenture.

Consolidation, Merger or Transfer of Assets, Incurring of Indebtedness, Conduct of Business

Neither the Issuer nor the Co-Issuer may consolidate with or merge into, or convey or transfer all or substantially all of its properties or assets, including those included in the Trust Estate, to any Person except as described in the Indenture.

The Issuer may consolidate with or merge into a Person, or convey or transfer all or substantially all of its properties or assets to a Person, if (a) such Person, among other things, (i) shall be a Person organized and existing under the laws of the Cayman Islands or another jurisdiction that is not a part of the United States of America or any State and shall not be subject to U.S. income taxation on any of its income on a net basis, (ii) shall not be an "investment company" as defined in the Investment Company Act, (iii) shall expressly assume, by an indenture supplemental to the Indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and interest on all Notes and the performance or observance of every agreement and covenant of the Indenture on the part of the Issuer to be performed or observed, and (iv) shall expressly assume all of the obligations of the Issuer under the Hedge Agreements; (b) immediately after giving effect to such transaction, no Event of Default or any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default, shall have occurred and be continuing; (c) each Rating Agency shall have been given prior written notice of such transaction and shall have notified the Trustee and the Co-Issuers that such action shall not result in a qualification, downgrade or withdrawal of its then current rating assigned to the Notes; (d) any action that is necessary to maintain the lien of the Indenture shall have been taken; and (e) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each stating that such transaction and such supplemental indenture comply with the relevant provisions of the Indenture and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

In addition to the requirements set forth in (b), (c), (d) and (e) of the preceding paragraph, which also apply to the Co-Issuer, the Co-Issuer may consolidate with or merge into, a Person, or convey or transfer all or substantially all of its properties or assets to a Person, if such Person, among other things (i) shall not be an "investment company" as defined in the Investment Company Act, and (ii) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and interest on all Notes issued by the Co-Issuer and the performance or observance of every agreement and covenant of the Indenture on the part of the Co-Issuer to be performed or observed.

In addition, the Co-Issuers may not incur any indebtedness other than the Notes and trade debt incidental to the performance of their obligations under the Indenture or engage in any business or activity other than the issuance of the Notes, the Ordinary Shares and the Co-Issuer's common stock and the other transactions and activities contemplated herein.

Events of Default

An event of default ("**Event of Default**") under the Indenture is any of the following:

(i) a default in the payment, when due and payable, of any Class A-X Payment Amount or any interest on any of the Senior Notes then Outstanding or, if the Amortizing Nominal Balance of the Class A-X Notes and the Aggregate Principal Amount of the Senior Notes have been reduced to zero, a default in the payment, when due and payable, of any interest on the Class B Mezzanine Notes then Outstanding or, if the Aggregate Principal Amount of the Class B Mezzanine Notes has been reduced

to zero, a default in the payment, when due and payable, of any interest on the Class C Mezzanine Notes then Outstanding or, if the Aggregate Principal Amount of the Class C Mezzanine Notes has been reduced to zero, a default in the payment, when due and payable, of any interest on the Class D Mezzanine Notes then Outstanding and, in each such case, the continuation of such default for five days;

(ii) a default in the payment of principal of any Note due at its Stated Maturity Date or a failure to have reduced the Amortizing Nominal Balance of the Class A-X Notes to zero at the Stated Maturity Date of the Class A-X Notes;

(iii) a failure to apply available amounts allocated to the payment of principal of the Notes in accordance with the Priority of Payments and the continuation of such failure for five days after written notice to the Issuer by the Trustee or to the Issuer and a Responsible Officer of the Trustee by Holders of at least a majority of the Aggregate Class A Balance, for so long as the Aggregate Class A Balance has not been reduced to zero, thereafter the Holders of at least a majority of the Aggregate Principal Amount of the Class B Mezzanine Notes for so long as the Aggregate Principal Amount of the Class B Mezzanine Notes has not been reduced to zero, thereafter the Holders of at least a majority of the Aggregate Principal Amount of the Class C Mezzanine Notes for so long as the Aggregate Principal Amount of the Class C Mezzanine Notes has not been reduced to zero, and thereafter the Holders of at least a majority of the Aggregate Principal Amount of the Class D Mezzanine Notes for so long as the Aggregate Principal Amount of the Class D Mezzanine Notes has not been reduced to zero;

(iv) either of the Co-Issuers or the Trust Estate becoming an investment company required to be registered under the Investment Company Act;

(v) a default in any material respect in the performance, or a breach of any covenant, warranty or other agreement of the Issuer and/or the Co-Issuer in the Indenture, or the failure of any representation or warranty of the Issuer and/or the Co-Issuer made in the Indenture or in any certificate or other writing delivered pursuant to or in connection with the Indenture to be correct in all material respects when the same shall have been made, and the continuation of such default, breach or failure for a period of 30 days after written notice to the Issuer and/or the Co-Issuer, as applicable, by the Trustee or to the Issuer and/or the Co-Issuer, as applicable, and a Responsible Officer of the Trustee by the Holders of Class A-X Notes and Senior Notes that evidence a majority of the Class A Balance, for so long as the Aggregate Principal Amount of the Senior Notes has not been reduced to zero, thereafter the Holders of at least a majority of the Aggregate Principal Amount of the Class B Mezzanine Notes for so long as the Aggregate Principal Amount of the Class B Mezzanine Notes has not been reduced to zero, thereafter the Holders of at least a majority of the Aggregate Principal Amount of the Class C Mezzanine Notes for so long as the Aggregate Principal Amount of the Class C Mezzanine Notes has not been reduced to zero, thereafter the Holders of at least a majority of the Aggregate Principal Amount of the Class D Mezzanine Notes for so long as the Aggregate Principal Amount of the Class D Mezzanine Notes has not been reduced to zero and thereafter the Holders of at least a majority in Aggregate Principal Amount of the Income Notes; or

(vi) certain events of bankruptcy, insolvency, receivership or reorganization of either of the Co-Issuers.

For purposes of clause (ii) above, the term Stated Maturity will also include the Payment Date relating to the receipt by the Issuer of sufficient funds to pay the Senior Notes and the Mezzanine Notes in full from the proceeds of an auction sale or the sale proceeds from Holders of Income Notes as described under "Description of the Notes—Redemption and Prepayments—*Redemption by Holders of Income Notes*" and "*—Redemption Upon Auction Sale of Capital Securities*."

If an Event of Default under the Indenture (other than an Event of Default of the type described in (vi) above) should occur and be continuing with respect to the Notes, with the consent of the Requisite Noteholders the Trustee may, and at the written direction of the Requisite Noteholders the Trustee shall, declare the principal of the Notes to be immediately due and payable. If an Event of Default of the type described in (vi) above occurs, the Notes will automatically become immediately due and payable.

At any time after such a declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee, the Requisite Noteholders may rescind and annul such declaration and its consequences if (i) the Issuer has paid or deposited with the Trustee a sum sufficient to pay (A) all overdue amounts payable on or in respect of the Notes (other than amounts due solely as a result of the acceleration), (B) to the extent that payment of interest on such amount is lawful, interest on such overdue amounts at the Class A-X Note Rate, the Class A-FP Senior Note Rate, the Class A-1 Senior Note Rate, the Class A-2 Senior Note Rate, the Class B-FP Mezzanine Note Rate, the Class B-1 Mezzanine Note Rate, the Class B-2 Mezzanine Note Rate, the Class C-FP Mezzanine Note Rate, the Class C-1 Mezzanine Note Rate, the Class C-2 Mezzanine Note Rate, the Class D-FP Mezzanine Note Rate and/or the Class D-1 Mezzanine Note Rate, as applicable, and (C) all unpaid Aggregate Fees and Expenses, including any amounts under the Hedge Agreements, and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and (ii) the Requisite Noteholders have determined that all Events of Default, other than the nonpayment of such amount that has become due solely by such acceleration, have been (A) cured (such determination to be made reasonably), or (B) waived as provided in the Indenture.

If the Notes are accelerated, the Holders of each class of Notes shall be entitled to receive the Aggregate Principal Amount for such class (or the Amortizing Nominal Balance, in the case of the Class A-X Notes), as well as (in the case of the Class A-X Notes, the Senior Notes and the Mezzanine Notes) the interest for such class accrued since the previous Payment Date, with amounts received in respect of the Capital Securities, the Hedge Agreements and the Reserve Account Strip being applied in the following order of priority:

(i) in the following order, (a) to pay taxes payable by the Co-Issuers, if any; and then (b) to pay the Trustee the amount of any due and unpaid Trustee Fee; and then (c) to pay the Trustee the amount of any due and unpaid Trustee Expenses; and thereafter any other due and unpaid expenses (including Administrative Expenses but excluding Trustee Expenses) of the Co-Issuers (including the Irish Exchange Fee); *provided* that the cumulative amount paid under (c) (excluding any Administrative Expenses due or accrued with respect to the actions taken on or prior to the Closing Date and accounting fees that the Trustee is required to pay (other than certain accountants' fees related to annual reviews)) may not exceed U.S.$450,000 in the aggregate in any consecutive twelve (12) month period;

(ii) (x) *first*, to pay, on a *pro rata* basis, to the related Hedge Provider (A) the applicable portion of the Hedge Payment Amounts for such Payment Date, and (B) any termination payment payable to any such Hedge Provider under the related Hedge Agreements on account of an ISDA Event of Default or ISDA Termination Event for which the Issuer is the Defaulting or Affected Party (as such terms are defined in the related ISDA Master); and (y) *second*, to pay, on a *pro rata* basis, the aggregate of any due and unpaid Class A-X Payment Amount, any accrued and unpaid interest on the Class A-FP Senior Notes at the Class A-FP Senior Note Rate, any accrued and unpaid interest on the Class A-1 Senior Notes at the Class A-1 Senior Note Rate and any accrued and unpaid interest on the Class A-2 Senior Notes at the Class A-2 Senior Note Rate;

(iii) (a) *first*, to pay, on a *pro rata* basis based on the Default Allocation Percentage of each such class, the Amortizing Nominal Balance of the Class A-X Notes, principal of the Class A-FP Senior Notes and principal of the Class A-1 Senior Notes until the Class A-1 Senior Notes are paid in full and (b) *second*, to pay, on a *pro rata* basis based on the Amortizing Nominal Balance or Aggregate Principal Amount, as applicable (and after giving effect to the payments made to the

Holders of the Class A-X Notes pursuant to clauses (ii)(y) and (iii)(a) and to the Holders of the Class A-FP Senior Notes pursuant to clause (iii)(a)), the Amortizing Nominal Balance of the Class A-X Notes, principal of the Class A-FP Senior Notes and principal of the Class A-2 Senior Notes until such Notes are paid in full;

(iv) to pay, on a *pro rata* basis, accrued and unpaid interest on the Class B-FP Mezzanine Notes at the Class B-FP Mezzanine Note Rate, accrued and unpaid interest on the Class B-1 Mezzanine Notes at the Class B-1 Mezzanine Note Rate and accrued and unpaid interest on the Class B-2 Mezzanine Notes at the Class B-2 Mezzanine Note Rate;

(v) to pay, on a *pro rata* basis, principal of the Class B-FP Mezzanine Notes, the Class B-1 Mezzanine Notes and the Class B-2 Mezzanine Notes until such Notes are paid in full;

(vi) to pay, on a *pro rata* basis, accrued and unpaid interest on the Class C-FP Mezzanine Notes at the Class C-FP Mezzanine Note Rate, accrued and unpaid interest on the Class C-1 Mezzanine Notes at the Class C-1 Mezzanine Note Rate and accrued and unpaid interest on the Class C-2 Mezzanine Notes at the Class C-2 Mezzanine Note Rate;

(vii) to pay, on a *pro rata* basis, principal of the Class C-FP Mezzanine Notes, Class C-1 Mezzanine Notes and the Class C-2 Mezzanine Notes until such Notes are paid in full;

(viii) to pay, on a *pro rata* basis, accrued and unpaid interest on the Class D-FP Mezzanine Notes at the Class D-FP Mezzanine Note Rate, and accrued and unpaid interest on the Class D-1 Mezzanine Notes at the Class D-1 Mezzanine Note Rate;

(ix) to pay, on a *pro rata* basis, principal of the Class D-FP Mezzanine Notes and the Class D-1 Mezzanine Notes until such Notes are paid in full;

(x) to pay, on a *pro rata* basis, any termination payment payable to any Hedge Provider under any Hedge Agreement on account of an ISDA Event of Default or ISDA Termination Event for which such Hedge Provider is the Defaulting or the sole Affected Party;

(xi) to pay any due and unpaid Trustee Expenses and expenses of the Co-Issuers to the extent not paid in sub-clause (c) of (i) above pursuant to the proviso to such clause; and

(xii) all remaining amounts, to the Holders of the Income Notes.

If an Event of Default shall have occurred and be continuing, the Trustee shall retain the Trust Estate intact and collect and cause the collection of the proceeds thereof, including making a demand for payment due under any Capital Securities, Corresponding Debenture or Guarantee, if applicable, and under the Hedge Agreements, and make and apply all payments and deposits and maintain all accounts in respect of the Notes in accordance with the provisions of the Indenture (including the priority described in the preceding paragraph if the Notes have been accelerated and the Priority of Payments described under "Description of the Notes—Priority of Payments" if the Notes have not been accelerated) unless a sale or liquidation of the Trust Estate has been directed by the Requisite Noteholders. If the Notes have been declared due and payable pursuant to the Indenture, any such retention may be rescinded at any time by written notice to the Trustee and the Co-Issuers from the Requisite Noteholders directing the Trustee to sell or liquidate the Trust Estate or any portion thereof.

Pursuant to the Indenture, as security for the payment by the Issuer of the fees of the Trustee and any sums to which the Trustee may be entitled to receive as indemnification by the Issuer, the Issuer will grant the Trustee a lien on the Trust Estate. 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 the acceleration of the maturity of such Notes as a result of such Event of Default 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 shall occur and be continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any Noteholders, unless such Noteholders shall have offered to the Trustee security or indemnity satisfactory to the Trustee. Subject to such provisions for indemnification and certain limitations contained in the Indenture, the Requisite Noteholders will have the right to direct the time, method and place of conducting any proceeding of any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Notes and, in certain cases, to waive any default with respect to such Notes, except a default in payment of any amount payable in respect of any Note or a default in respect of a covenant or provision of the Indenture that cannot be modified without the waiver or consent of the Holder of each Outstanding Note affected thereby.

Enforcement of Certain Obligations; Capital Securities in Default

The Indenture Trustee may, and at the written direction of the Requisite Noteholders shall, subject to its rights under the Indenture, exercise all rights, remedies, powers, privileges and claims of the Issuer under each Capital Security, each Corresponding Debenture and each Guarantee, and all rights, remedies, powers, privileges and claims of the Issuer against each Capital Security Issuer, each Corresponding Debenture Issuer and any other party under or in connection with each of the related Capital Security documents and each document executed in connection with the issuance of the Notes solely for the purposes of (i) compelling or securing performance or observance by such parties, of each of their obligations to the Issuer thereunder and (ii) in connection with a defaulted Capital Security, giving any consent, request, notice, direction, approval, extension, or waiver under the related Capital Security documents.

If a breach of a representation or warranty in an Underlying Instrument for a Capital Security (or the related Corresponding Debenture Indenture, the related placement agreement or certain other related documents) occurs and materially adversely affects the Issuer as the holder of such Capital Security, then the Requisite Noteholders may direct the Indenture Trustee to exercise the Issuer's rights under those documents, which may include attempting to dispose of such Capital Security. The net proceeds, if any, will be applied in accordance with Priority of Payments. However, no such disposition in connection with such a breach shall be made unless the Indenture Trustee receives a confirmation from each Rating Agency that such disposition will not result in the reduction, withdrawal or negative qualification of its then current ratings for the Senior Notes or Mezzanine Notes. In addition, the Indenture Trustee may dispose of a defaulted Capital Security at the direction of the Requisite Noteholders. The net proceeds, if any, from such a disposition would be applied in accordance with the Priority of Payments.

In connection with the two prior paragraphs, for the avoidance of doubt, a Capital Security that is a Defaulted Security solely because interest is being deferred as permitted in accordance with its Underlying Instrument is not a defaulted Capital Security.

Rights Under the Indenture; Non-Petition Covenant

No Noteholder will have the right to institute any proceeding with respect to the Indenture unless (1) such Holder previously has given to the Trustee written notice of an Event of Default, (2) the Holders of at least 25% of the Aggregate Class A Balance or, following the reduction of the Aggregate Principal Amount of Senior Notes and Amortizing Nominal Balance of the Class A-X Notes to zero, the Aggregate Principal Amount of the most senior class of Notes (for this purpose, the Class B Mezzanine Notes will be treated as one class, the Class C Mezzanine Notes will be treated as one class and the Class D Mezzanine Notes will be treated as one class) then Outstanding have made written request upon the Trustee to institute such proceedings in its own name as Trustee, (3) such Holder or Holders have offered the Trustee indemnity satisfactory to the Trustee as provided in the Indenture, (4) the Trustee has for 30 days failed to institute any such proceeding,

and (5) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the Requisite Noteholders.

The Indenture will provide that the Trustee and the Holders of the Notes agree (or will be deemed to agree) not to institute against the Issuer or the Co-Issuer, or join in any institution against the Issuer or the Co-Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal, state or foreign bankruptcy or similar law in any jurisdiction in connection with any obligations relating to the Notes, the Indenture or certain other transaction documents until the expiration of the later of one year and one day from the payment in full of the Aggregate Principal Amount of the last Notes Outstanding and one day after the then applicable preference period.

Satisfaction and Discharge of the Indenture

The Indenture will be discharged with respect to the collateral securing the Notes upon delivery to the Trustee for cancellation of all of the Notes, or, with certain limitations (including the obligation to pay principal and interest), upon deposit with the Trustee of cash or Eligible Investments sufficient for the payment thereof.

Trustee

The Bank of New York will be the Trustee under the Indenture. The Issuer and its Affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The Trustee and/or its Affiliates may receive compensation in connection with the Trustee's investment of trust assets in certain Eligible Investments as provided in the Indenture.

As compensation for the performance of its obligations under the Indenture, the Trustee will receive the Trustee Fee, which, for any Payment Date (including without limitation the Final Maturity Date), is equal to one quarter of 0.02% multiplied by the sum of (i) the Aggregate Principal Amount of the Capital Securities and (ii) Eligible Investments and any cash in the Collection Account representing Principal Collections, each as of the first day of the related Due Period.

The Trustee Fee will accrue if unpaid (but without the accrual of any interest thereon) and be payable on the next Payment Date on which funds are available therefor in accordance with the Priority of Payments.

The Trustee will receive reimbursement for those reasonable out-of-pocket expenses (including the reasonable expenses of its counsel and agents) incurred by it in any Due Period in carrying out provisions of the Indenture and as collateral administrator under the Collateral Administration Agreement (the "**Trustee Expenses**"). Trustee Expenses will be payable on the Payment Date related to each such Due Period (including without limitation the Final Maturity Date), or to the extent there are not sufficient funds available therefor on such Payment Date, on a subsequent Payment Date in accordance with the Priority of Payments.

The Indenture contains provisions for the indemnification of the Trustee and its officers, directors, employees and agents for any loss, claims, damages, suits, 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.

The Trustee may resign at any time by providing 30 days' notice to the Issuer, the Noteholders and the Rating Agencies. The Trustee may be removed at any time by the Requisite Noteholders in writing or by a court of competent jurisdiction under the conditions set forth in Section 6.8 of the Indenture. No resignation or removal of the Trustee will become effective until a successor Trustee has accepted its appointment.

Governing Law

The Indenture and the other documents relating to the Notes will be governed by and construed in accordance with the laws of the State of New York.

Reports

Quarterly Reports. Within thirty days of the last Business Day of each February, May, August and November, beginning February, 2007, the Holders of Income Notes, and so long as any Class A-X Notes, Senior Notes and Mezzanine Notes are listed on the Irish Stock Exchange, the Irish Stock Exchange or its agent and, upon written request, any Holder of an Class A-X Note, Senior Note or a Mezzanine Note will receive a quarterly report (the "**Quarterly Report**"), which shall contain the following information as of the day of such report:

- the Aggregate Principal Amount of the PreTS[sm], the Aggregate Principal Amount of the Subordinated Debentures, the Aggregate Principal Amount of the Trust Preferred D-SMS, the Aggregate Principal Amount of the I-PreTS[sm], the Aggregate Principal Amount of the I-SMS, the Aggregate Principal Amount of the I-DS, the Aggregate Principal Amount of the Surplus Notes, the Aggregate Principal Amount of the R-PreTS[sm], and the principal balance, the interest rate, maturity date and Geographical Region (with respect to D-Capital Securities only) of each Capital Security in the Trust Estate;

- the identity of each Capital Security that is a Defaulted Security;

- financial data for each Affiliated Depository Institution HC in respect of a PreTS[sm] and each Subordinated Debenture Issuer (which report will not identify any such entity by name) and financial data for all such Affiliated Depository Institution HCs and each Subordinated Debenture Issuer in the aggregate (by weighted average Liquidation Amount), in each case for the most currently available quarter, the previously reported quarter, the 12 months preceding and the initial 12-month period following the Closing Date, as follows:

  Capital: ratio of "Tier 1 Capital" to risk weighted assets and the ratio of double leverage;

  Asset Quality: ratio of nonperforming assets to loans and other real estate owned, ratio of reserves to nonperforming loans, and ratio of net charge-offs to loans;

  Earnings: return on assets, net interest margin, and efficiency ratio; and

  Liquidity: ratio of loans to assets, ratio of loans to deposits, total assets, and net income;

- financial data for the insurance company subsidiaries of each Affiliated Insurance HC in respect of an I-PreTS[sm], the I-DS Issuers and the Surplus Note Issuers (which report will not identify any such entity by name) and financial data for all such Affiliated HCs, I-DS Issuers and the Surplus Note Issuers in the aggregate (by weighted average Liquidation Amount), in each case for the most currently available quarter, the previously reported quarter, the 12 months preceding and the initial 12-month period following the Closing Date, as follows:

  Capital: On an annual basis, the NAIC risk based capital ratio (i.e., the ratio of "total adjusted capital" to "calculated authorized control level risk based capital", in each case as such terms are defined under the NAIC Risk Based Capital Model Act) and on a quarterly basis, total capital and surplus and the ratio of consolidated debt and preferred stock to total capital for the issuer;

  Asset Quality: On a quarterly basis, total assets, the ratio of NAIC Class 1 and Class 2 rated investments to total fixed income investments and the ratio of NAIC Class 1 and Class 2 rated investments to total investments; and

  Operating Performance: On a quarterly basis, return on policyholders' surplus and, for property-casualty insurance company issuers, expense ratio, loss and loss adjustment expense

ratio, combined ratio and the ratio of net premiums written (annualized) to policyholders' surplus;

- financial data for each REIT Corresponding Debenture Issuer in respect of a R-PreTS[sm] (which report will not identify any such entity by name) and financial data for all such Corresponding Debenture Issuers in the aggregate (by weighted average Liquidation Amount), in each case for the most currently available quarter, the previously reported quarter, the 12 months preceding and the initial 12-month period following the Closing Date, as follows:

  Balance Sheet: On a quarterly basis, total assets, total senior secured indebtedness for borrowed money, senior unsecured debt, subordinate debt and total debt; and

  Capital: On a quarterly basis, total preferred stock, total equity and the ratio of total debt to total capital; and

  Operating Performance: On a quarterly basis, net income and net interest margin; and

- the identity of the SMS Issuers.

Note Valuation Report. With respect to each Payment Date, the Holders of the Income Notes, and so long as any Class A-X Notes, Senior Notes and Mezzanine Notes are listed on the Irish Stock Exchange, the Irish Stock Exchange or its agent and, upon written request, any Holder of an Class A-X Note, Senior Note or a Mezzanine Note not later than the second Business Day prior to such Payment Date will receive a Note Valuation Report (which may be combined with the Quarterly Report for such period) containing the following information:

- the Aggregate Principal Amount of the PreTS[sm], the Aggregate Principal Amount of the Subordinated Debentures, the Aggregate Principal Amount of the Trust Preferred D-SMS, the Aggregate Principal Amount of the I-PreTS[sm], the Aggregate Principal Amount of the I-DS, the Aggregate Principal Amount of the I-SMS, the Aggregate Principal Amount of the Surplus Notes and the Aggregate Principal Amount of the R-PreTS[sm];

- the Amortizing Nominal Balance of the Class A-X Notes and the Aggregate Principal Amount of each other class of Notes, the amount of principal payments to be made on such class on such Payment Date, the Amortizing Nominal Balance of the Class A-X Notes and the Aggregate Principal Amount of each other class of Notes, in each case, after giving effect to such principal payments (expressed as a dollar amount and as a percentage of the original Amortizing Nominal Balance or Aggregate Principal Amount, as applicable, of such class);

- the Class A-X Payment Amount, the Class A-X Note Interest Amount, the Class A-FP Senior Note Interest Amount, the Class A-1 Senior Note Interest Amount, the Class A-2 Senior Note Interest Amount, the Class B-FP Mezzanine Note Interest Amount, the Class B-1 Mezzanine Note Interest Amount, the Class B-2 Mezzanine Note Interest Amount, the Class C-FP Mezzanine Note Interest Amount, the Class C-1 Mezzanine Note Interest Amount, the Class C-2 Mezzanine Note Interest Amount, the Class D-FP Mezzanine Note Interest Amount and the Class D-1 Mezzanine Note Interest Amount for such Payment Date;

- The Principal Allocation Balance of each class of FP Notes and the Collateral Reduction Amount;

- the notional amount of each Hedge Agreement, the Hedge Receipt Amounts, the Hedge Payment Amounts and any termination payment payable under any Hedge Agreement by either party thereto;

- the Cap Notional Amount and Cap Interest Differential Amount;

- the amount of any Interest Collections and Principal Collections received;

- the Trustee Fee and the Administrative Expenses;

- the balance of Eligible Investments and any cash in the Collection Account, the amounts payable on such Payment Date, and the balance of Eligible Investments and any cash remaining in the Collection Account;
- the amount on deposit in the Reserve Account;
- the Accreted Value of the Reserve Account Strip;
- the Adjusted Collateral Principal Amount of the Capital Securities;
- the results of each Coverage Test, whether or not the Coverage Tests are satisfied and the percentage required for each such test to be satisfied, if any of the Coverage Tests is not met, the amount of the Senior Coverage Prepayment, Class B Mezzanine Coverage Prepayment, Class C Mezzanine Coverage Prepayment and/or Class D Mezzanine Coverage Prepayment, as the case may be, necessary to cause such Coverage Test to be met, and the results of such Coverage Test after giving effect to such Senior Coverage Prepayment, Class B Mezzanine Coverage Prepayment, Class C Mezzanine Coverage Prepayment or Class D Mezzanine Coverage Prepayment, as the case may be, and other payments, if any;
- the identity of each Capital Security that is a Defaulted Security;
- the results of each of the Collateral Balance Test and the Credit Migration Test, whether or not the Collateral Balance Test and the Credit Migration Test are satisfied, along with the Base B Credit Percentage, Base BB Credit Percentage, Base CCC Credit Percentage, Current B Credit Percentage, Current BB Credit Percentage, Current CCC Credit Percentage, Cumulative B Migration Percentage, Cumulative BB Migration Percentage, Cumulative CCC Migration Percentage, Credit Migration Coverage Ratio and Credit Migration Adjustment; and
- the percentages of the Aggregate Principal Amount of the Capital Securities by Capital Security Issuer (which will not be identified by name in the report) or Corresponding Debenture Issuer (which will not be identified by name in the report and which will not apply with respect to the Subordinated Debenture Issuers) and Geographical Region (with respect to the D-Capital Securities only).

Notices

Notices to the Holders of the Notes shall be given by first-class mail, postage prepaid, to the registered Holders of such Notes at their addresses appearing in the Note Register. In addition, for so long as any of the Class A-X Notes, the Senior Notes or Mezzanine Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, notices to the holders of those Notes will also be published in the Irish Stock Exchange's Official List.

MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS

The Stated Maturity Date of each class of Notes other than the Class A-X Notes is the Payment Date occurring in December 2036. The Stated Maturity Date of the Class A-X Notes is the Payment Date occurring in September 2011. The average lives of the Class A-X Notes, the Senior Notes and the Mezzanine Notes are expected to be shorter than the number of years until their respective Stated Maturity Dates, and the Notes may be redeemed in accordance with the Priority of Payments, if and to the extent the following payments are made:

(a) on Payment Dates prior to the respective Stated Maturity Dates (i) prepayments and any premiums received on the Capital Securities (other than any premium paid in connection with the redemption or prepayment of any PreTSL III PreTS[sm] or any I-SMS) or final payments received on any Capital Security and (ii) solely in the case of the Senior Notes and the Mezzanine Notes, (A) Coverage Prepayments if any Coverage Test is not met in connection with any such Payment Date, (B) payments pursuant to clause (a)(x) of the Priority of Payments, and (C) payments pursuant to clause (a)(xi)(B) of the Priority of Payments;

(b) on the Payment Date following the maturity date of the Reserve Account Strip, the single payment due on the Reserve Account Strip;

(c) on the Payment Date related to the sale, if any, of a Capital Security that has become a Defaulted Security to Income Noteholders as described under "Description of the Notes—Redemption and Prepayments—*Redemption Upon Default or Extension of Capital Securities*", the proceeds of such sale allocable to principal;

(d) on the Payment Date related to the sale, if any, of the Capital Securities to Income Noteholders as described under "Description of the Notes—Redemption and Prepayments—*Redemption by Holders of Income Notes*", the net proceeds of such sale;

(e) on the Payment Date following the auction sale, if any, of the Capital Securities as described under "Description of the Notes—Redemption and Prepayments—*Redemption Upon Auction Sale of Capital Securities*", the net proceeds of such auction sale allocable to principal; and

(f) solely in the case of the Class A-X Notes, payments pursuant to clauses (a)(ii), (b)(iii) and (b)(vi)(y) of the Priority of Payments.

In addition, any disposition of a Capital Security as described under "The Indenture—Enforcement of Certain Obligations; Capital Securities in Default", "Description of the D-Capital Securities Documents—Effect of PreTS[sm] Obligations and the Subordinated Debentures—*General*" and "Description of the I-Capital Securities Documents—Effect of Obligations with Respect to the I-PreTS[sm]—*Corresponding Debentures*" and "Description of the R-PreTS[sm] Documents—Effect of Obligations with Respect to the R-PreTS[sm]—*Corresponding Debentures*" might result in net proceeds that would be applied pursuant to the Priority of Payments.

Average life refers to the average amount of time that will elapse from the date of delivery of a security until each dollar of the principal of such security will be paid to the investor. The average lives and Final Maturity Dates of the Notes will be determined by the amount and frequency of principal payments on the Notes, which will depend upon the amount and timing of any of the payments described in the foregoing clauses (a) through (f). In addition, the timing of payments on the FP Notes will be subject to the satisfaction of the Credit Migration Test and the Collateral Balance Test and the amount of certain payments to the Holders of a class of FP Notes will be dependent on the Principal Allocation Balance of such class. The rate of payments of principal on the Class A-X Notes will be very sensitive to the rate and timing of redemptions of the PreTSL III PreTS[sm].

Any redemption or prepayment of a Capital Security may change the composition and characteristics of the portfolio of Capital Securities and the rate of payment thereon, and, accordingly, may affect the actual average lives of each class of Notes. Prepayments on the Capital Securities, such as those described in clauses (a)(i) above, will be affected by various factors that are outside the control of the Issuer and cannot be predicted.

See "Risk Factors—Risk Factors Relating to the Notes and the Co-Issuers—*11. Stated Maturity Date, Average Life and Prepayment Considerations*", "—Risk Factors Relating to the D-Capital Securities—*20. Accounting and Regulatory Issues with respect to the PreTS[sm] and the Trust Preferred D-SMS*" and "—Risk Factors Relating to the I-Capital Securities—*22. The Outcome of Current Industry Investigations and Regulatory Proposals May Adversely Impact the I-Capital Securities Issuers* and "—Risk Factors Relating to the R-PreTS[sm] —*28. Nature of R-PreTS[sm]*".

The Income Notes are undercollateralized and are subordinated to the Class A-X Notes, Senior Notes and the Mezzanine Notes and to the payments of all other amounts due under the Indenture on each Payment Date, including expenses of the Co-Issuers and fees and expenses of the Trustee. The amount and frequency of distributions of available funds to Holders of Income Notes, and therefore the yield to such Holders, will

depend on, among other things, the rates of interest on the Eligible Investments acquired by the Issuer after the Closing Date, the extent to which the Capital Securities pledged to secure the Notes become Defaulted Securities, are retired or disposed of prior to the Stated Maturity Date of the Notes, or are purchased by the Holders of the Income Notes during a related Extension Period or while in default or are purchased as a whole at the option of Holders of at least 66⅔% of the Aggregate Principal Amount of the Income Notes, the level and timing of recoveries on Capital Securities that do become Defaulted Securities, and various other factors. In addition, the Capital Securities will be offered for sale on each Auction Date on which the Senior Notes or the Mezzanine Notes are outstanding commencing with the Auction Date in September 2016. If the proceeds of any such sale equals or exceeds the sum of (i) (x) the Aggregate Principal Amount of the Senior Notes and the Mezzanine Notes plus accrued and unpaid interest thereon to the next Payment Date less (y) the amount of any funds on deposit in the Collection Account and (ii) any unpaid fees and expenses of the Co-Issuers (including any termination payments due with respect to the Hedge Agreements), the Capital Securities will be sold. It is not possible to predict whether the Capital Securities will be sold, or, if sold, whether there will be excess proceeds from the sale of the Capital Securities available for distribution to the Holders of the Income Notes. **The yield on the Income Notes will be highly sensitive to such factors, all of which are impossible to predict accurately. The Income Notes represent a leveraged subordinated investment in illiquid securities, and investors in the Income Notes bear a high risk of losing all or part of their investment.**

TRANSFER RESTRICTIONS

The Notes have not been registered under the Securities Act or any United States state securities or "Blue Sky" laws or the securities laws of any other jurisdiction and, accordingly, may not be reoffered, resold, pledged or otherwise transferred except in accordance with the restrictions set forth in the Indenture and described under "Notices to Purchasers" and below.

Certificated Notes

Unless determined otherwise by the Co-Issuers in accordance with applicable law, the Mezzanine Notes that are Certificated Notes will bear the legend set forth below:

> THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THIS LEGEND. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT (A) TO A "QUALIFIED PURCHASER" (WITHIN THE MEANING OF SECTION 2(a)(51) OF THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED, AND THE RULES THEREUNDER) WHO IS ALSO EITHER (I) A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHO IS ALSO A QUALIFIED PURCHASER OR (II) AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT), OR (B) TO A PERSON THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT AND (C) IN EACH CASE (1) UPON DELIVERY OF ALL CERTIFICATIONS, OPINIONS AND OTHER DOCUMENTS THAT THE CO-ISSUERS, THE TRUSTEE OR THE INDENTURE REFERRED TO IN THIS NOTE MAY REQUIRE AND (2) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES AND

ANY OTHER JURISDICTION. FURTHER, NO SALE OR TRANSFER OF THIS NOTE TO A PERSON INVESTING ASSETS OF A PLAN SUBJECT TO THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR ANY SIMILAR LAW MAY BE MADE UNLESS SUCH SALE OR TRANSFER WILL SATISFY THE REQUIREMENTS OF A CLASS EXEMPTION FROM THE PROHIBITED TRANSACTION RULES OF SECTION 406 OF ERISA AND SECTION 4975 OF THE CODE OR WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF SUCH SIMILAR LAW. TRANSFERS OF THE NOTES MUST BE ACCOMPANIED BY APPROPRIATE TAX AND ERISA TRANSFER DOCUMENTATION AND ARE SUBJECT TO RESTRICTIONS AS PROVIDED IN THE INDENTURE. THE PURCHASER HEREOF ACKNOWLEDGES THAT, IF APPLICABLE, THE TRANSFER TO IT IS BEING MADE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT AND THAT IT WILL INFORM ANY TRANSFEREE FROM IT THAT, IF APPLICABLE, SUCH TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A.

All Mezzanine Notes held by an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) who is also a "qualified purchaser" (within the meaning of Section 2(a)(51) of the Investment Company Act and the rules thereunder) but who is not a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) will be in the form of Certificated Notes. Transferees of Certificated Notes (including Income Notes in certificated form) will be required to make representations and agreements similar to those in items (i) through (viii) and item (xi) under "—Global Notes" below. A prospective purchaser of Income Notes will be required to represent that, after giving effect to such purchase, it will not own, directly or indirectly, more than 49.9% of the Aggregate Principal Amount of the Income Notes.

Unless determined otherwise by the Issuer in accordance with applicable law, the Income Notes that are Certificated Notes will bear the legend set forth below:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THIS LEGEND. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT (A) TO A "QUALIFIED PURCHASER" (WITHIN THE MEANING OF SECTION 2(a)(51) OF THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED, AND THE RULES THEREUNDER) WHO IS ALSO EITHER (I) A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (II) AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT), OR (B) TO A PERSON THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT AND (C) IN EACH CASE (1) UPON DELIVERY OF ALL CERTIFICATIONS, OPINIONS AND OTHER DOCUMENTS THAT THE ISSUER, THE TRUSTEE OR THE INDENTURE REFERRED TO IN THIS NOTE MAY REQUIRE AND (2) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. FURTHER, NO SALE OR TRANSFER OF THIS NOTE MAY BE MADE UNLESS SUCH SALE OR TRANSFER WILL NOT RESULT IN THE ASSETS OF THE ISSUER CONSTITUTING "PLAN ASSETS" WITHIN THE MEANING OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), AND WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE UNITED STATES INTERNAL

REVENUE CODE OF 1986, AS AMENDED, OR ANY APPLICABLE SIMILAR LAW. TRANSFERS OF THE NOTES MUST BE ACCOMPANIED BY APPROPRIATE TAX AND ERISA TRANSFER DOCUMENTATION AND ARE SUBJECT TO RESTRICTIONS AS PROVIDED IN THE INDENTURE. THE PURCHASER HEREOF ACKNOWLEDGES THAT, IF APPLICABLE, THE TRANSFER TO IT IS BEING MADE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT AND THAT IT WILL INFORM ANY TRANSFEREE FROM IT THAT, IF APPLICABLE, SUCH TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A.

No transfer of an Income Note will be effective, and the Trustee will not recognize any such transfer, if it may result in 25% or more of the Aggregate Principal Amount of the Income Notes being held by Benefit Plan Investors, whether directly or indirectly through ownership of other interests. For purposes of this determination, Income Notes held by a person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer or that provides investment advice for a fee (direct or indirect) with respect to such assets (or any Affiliate of such a person) will be disregarded. See "Certain ERISA Considerations".

Certificated Notes to Global Notes

If a Holder of a Mezzanine Note represented by a Certificated Note who is a qualified institutional buyer that is also a qualified purchaser wishes at any time to exchange its interest in such Certificated Note for an interest in a Global Note, or to transfer its interest in such Certificated Note to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Global Note, such Holder may effect such exchange or transfer only upon compliance with the following requirements. Upon receipt by the Note Registrar of (A) such Certificated Note properly endorsed for such transfer, and written instructions from such Holder directing the Note Registrar to cause to be credited a beneficial interest in the corresponding Global Note in an amount equal to the principal amount of such Certificated Note to be transferred (but not less than the minimum denomination applicable to such Notes), (B) a written order containing information regarding the DTC, Euroclear or Clearstream account, as the case may be, to be credited with such increase and (C) certificates (in the form provided in the Indenture) given by the Holder of such Certificated Note and the prospective transferee, the Note Registrar shall cancel such Certificated Notes and instruct DTC to increase the principal amount of the corresponding Global Note by the principal amount of the Certificated Note to be exchanged or transferred, and instruct DTC to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in such Global Note equal to the amount specified in the instructions received pursuant to clause (A) above.

Each person who becomes a beneficial owner of Notes represented by an interest in a Global Note (or any Physical Note issued in exchange for Global Notes as described above under "Description of the Notes—Form, Denomination and Registration") will be deemed to have represented and agreed as follows:

(i) In connection with the purchase of such Notes: (A) none of the Co-Issuers or the Placement Agents is acting as a fiduciary or financial or investment adviser for such beneficial owner; (B) such beneficial owner is not relying (for purposes of making an investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Co-Issuers or either of the Placement Agents other than, solely in the case of the Co-Issuers, any statements in a current offering circular for such Notes; (C) such beneficial owner 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 (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Co-Issuers or either of the Placement Agents; (D) such beneficial owner is (1) in the case of a Rule 144A Global Note, a qualified institutional buyer (as defined under Rule 144A) who is also a qualified purchaser (within the meaning of Section 2(a)(51) of the Investment Company Act and the rules thereunder) and (2) in the case of an owner of a beneficial interest in the Temporary Regulation S Global Note or the Regulation S Global

Note, not a "U.S. person" as defined in Regulation S and is acquiring the Notes in reliance on the exemption from registration provided by Regulation S; and (E) such beneficial owner is acquiring its interest in the Notes for its own account. If such beneficial owner is a Qualified Institutional Buyer, then (a) if it is a dealer of the type described in paragraph (a)(1)(ii) of Rule 144A under the Securities Act, it owns and invests on a discretionary basis not less than U.S.$25,000,000 in securities of issuers that are not affiliated with it and (b) it is not a participant-directed employee plan, such as a 401(k) plan, or any other type of plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan. In the case of a Rule 144A Global Note or any other Note being transferred pursuant to Rule 144A, such beneficial owner acknowledges that such transfer is being made in reliance on Rule 144A and will inform any transferee from it that the transfer is being made in reliance on Rule 144A.

(ii) On each day from the date on which such beneficial owner acquires such Note through and including the date on which such beneficial owner disposes of its interests in such Note, (A) in connection with the purchase of the Notes other than Income Notes in global form, either (i) such beneficial owner is not a Plan, an entity whose underlying assets include the assets of any Plan, or a plan that is subject to any federal, state or local law which is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (a "**Similar Law**"); or (ii) (a) such beneficial owner's purchase, holding and disposition of such Senior Note or Mezzanine Note will satisfy the requirements for exemptive relief under PTCE 96-23, PTCE 95-60, PTCE 91-38, PTCE 90-1, PTCE 84-14, the service provider exemption provided by Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or a similar exemption (or, in the case of a plan subject to any Similar Law, will not result in a non-exempt violation of such Similar Law) or (b) such beneficial owner's purchase, holding and disposition of such Income Note in certificated form will not result in a non-exempt violation of ERISA, Section 4975 of the Code, or any applicable Similar Law; or (B) in connection with the purchase of the Income Notes in global form, such beneficial owner is not a Benefit Plan Investor or a Controlling Person.

(iii) Such beneficial owner understands that the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Notes have not been and will not be registered under the Securities Act, and, if in the future such beneficial owner decides to offer, resell, pledge or otherwise transfer the Notes, such Notes may be offered, resold, pledged or otherwise transferred only in accordance with the provisions of the Indenture and the legend on such Notes. Such beneficial owner acknowledges that no representation has been made as to the availability of any exemption under the Securities Act or any state securities laws for resale of the Notes. Such beneficial owner acknowledges that the Issuer is relying on Section 3(c)(7) of the Investment Company Act for its exemption from registration thereunder and that no representation has been made as to the availability of such exemption.

(iv) Such beneficial owner understands that it may not purchase, hold or transfer less than U.S.$100,000 Aggregate Principal Amount of such Note.

(v) Such beneficial owner is aware that, except as otherwise provided in the Indenture, the Notes being sold to it, if any, in reliance on Regulation S will be represented (A) initially by one or more Temporary Regulation S Global Notes and (B) after the Exchange Date, by one or more Regulation S Global Notes, and that in each case beneficial interests therein may be held only through Euroclear or Clearstream.

(vi) Such beneficial owner understands that prior to the first Business Day following the Exchange Date, any resale or other transfer of beneficial interests in a Temporary Regulation S Global Note to U.S. persons (as defined in Regulation S) shall not be permitted.

(vii) Such beneficial owner understands that any resale or other transfer of beneficial interests in a Temporary Regulation S Global Note or Regulation S Global Note to U.S. Persons, and any resale or other transfer of beneficial interests in a Rule 144A Global Note to any person other than a qualified institutional buyer (as defined in Rule 144A) who is also a qualified purchaser (within the meaning of Section 2(a)(51) of the Investment Company Act and the rules thereunder), shall not be permitted.

(viii) If such beneficial owner is acquiring a beneficial interest in a Rule 144A Global Note, such beneficial owner is a qualified purchaser (as defined in Section 2(a)(51) of the Investment Company Act and the rules thereunder). Regardless of the type of Global Note being acquired by such beneficial owner, such beneficial owner is acquiring such Notes as principal for its own account for investment and not for sale in connection with any distribution thereof, such beneficial owner was not formed for the specific purpose of investing in such Notes or any other securities of the Issuer or the Co-Issuer, and additional capital or similar contributions were not specifically solicited from any person owning a beneficial interest in such beneficial owner for the purpose of enabling such beneficial owner to purchase any Notes. Such beneficial owner is not a (i) corporation, (ii) partnership, (iii) common trust fund or (iv) special trust, pension, profit sharing or other retirement trust fund or plan in which the shareholders, equity owners, partners, beneficiaries, beneficial owners or participants, as applicable, may designate the particular investments to be made or the allocation of any investment among such shareholders, equity owners, partners, beneficiaries, beneficial owners or participants, and such beneficial owner represents and agrees that it shall not hold such Notes for the benefit of any other person and shall be the sole beneficial owner thereof for all purposes and that it shall not sell participation interests in such Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on such Notes and further that such Notes purchased directly or indirectly by it constitute an investment of no more than 40% of such beneficial owner's assets after giving effect to its purchase of Notes and/or other securities of the Issuer. Such beneficial owner is not an investment company that relies on the exclusion from the definition of "investment company" provided by Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (or a foreign investment company under Section 7(d) thereof relying on Section 3(c)(1) or 3(c)(7) with respect to its holders that are U.S. Persons), which was formed on or before April 30, 1996, unless it has received the consent of its beneficial owners who acquired their interests on or before April 30, 1996, with respect to its treatment as a qualified purchaser (as defined in Section 2(a)(51) of the Investment Company Act and the rules thereunder) in the manner required by Section 2(a)(51)(C) of the Investment Company Act and the rules and regulations thereunder. Such beneficial owner understands and agrees that any purported transfer of such Notes to a purchaser (including, without limitation, the transfer of Notes to such beneficial owner) that does not comply with the requirements of this paragraph or clause (D) of paragraph (i) shall be null and void *ab initio* and the Co-Issuers retain the right to resell any Notes sold to any purchaser (including, without limitation, such beneficial owner) unless such purchaser complies with this paragraph and clause (D) of paragraph (i) above.

(ix) Such beneficial owner understands that the Issuer may receive a list of the DTC Participants holding Notes (i.e., beneficial interests in a Global Note) from DTC and any other depository through which the Notes (or beneficial interests therein) may be held.

(x) Such beneficial owner understands and agrees that the Trustee shall have no responsibility or obligation to any beneficial owner, a member of, or a participant in, DTC or other Person with respect to the accuracy of the records of DTC or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than DTC) of any notice (including any notice of redemption) or the payment of any amount or delivery of any Notes (or other security or property) under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders in respect of the Notes shall be given or made only to or upon the

order of the registered Holders (which shall be DTC or its nominee in the case of a Global Note). The Trustee may rely and shall be fully protected in relying upon information furnished by DTC with respect to its members, participants and any beneficial owners.

(xi) Such beneficial owner will provide notice to each Person to whom it proposes to transfer any interest in the Notes of the transfer restrictions and representations set forth in the Indenture.

Certificated Note to Certificated Note

Transfers of Certificated Notes

If a Holder of Mezzanine Notes or Income Notes represented by a Certificated Note wishes at any time to transfer its interest in such Notes, such Holder may transfer such interest for an equivalent interest in one or more Certificated Notes only upon compliance with the following requirements and certain other requirements set forth in the Indenture. Upon receipt by the Note Registrar of (A) such Holder's Certificated Note, properly endorsed for assignment to the transferee of such interest, and (B) certificates (in the form provided in the Indenture) given by such transferor and the proposed transferee, then the Note Registrar shall cancel such Certificated Note and authenticate and deliver one or more Certificated Notes, registered in the name specified in the assignment described in clause (A) above, in principal amounts designated by such transferee (the aggregate of such amounts being equal to the principal amount of the Certificated Note surrendered by the transferor), and in no less than minimum authorized denominations.

No transfer of an Income Note will be effective, and the Trustee will not recognize any such transfer, if it may result in 25% or more of the Aggregate Principal Amount of Income Notes being held by Benefit Plan Investors whether directly or indirectly. For purposes of this determination, Income Notes held by a person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer or that provides investment advice for a fee (direct or indirect) with respect to such assets (or any Affiliate of such a person) will be disregarded. See "Certain ERISA Considerations".

Exchanges of Certificated Notes

If a Holder of a Certificated Note representing Mezzanine Notes or Income Notes wishes at any time to exchange such Certificated Note for one or more Certificated Notes of different principal amounts, such Holder may exchange such interest for an equivalent beneficial interest in Certificated Notes only upon compliance with the following requirements. Upon receipt by the Co-Issuers (in the case of the Mezzanine Notes) or the Issuer (in the case of the Income Notes) and the Note Registrar of (A) such Holder's Certificated Note, properly endorsed for such exchange, (B) a certificate of such Holder in the form required by the Indenture, and (C) written instructions from such Holder designating the number and principal amounts of the Certificated Notes to be issued (the aggregate of such principal amounts being equal to the principal amount of the Certificated Note surrendered for exchange), then the Note Registrar shall cancel such Certificated Note and upon execution by the Co-Issuers (in the case of the Mezzanine Notes) or the Issuer (in the case of the Income Notes) authenticate and deliver one or more Certificated Notes, each registered in the same name as the Certificated Note surrendered by such Holder, in principal amounts designated by such Holder (the aggregate of such amounts being equal to the principal amount of the Certificated Note surrendered by such Holder), and in no less than minimum authorized denominations.

Global Notes

Unless determined otherwise by the Co-Issuers in accordance with applicable law, the Class A-X Notes, the Senior Notes, and Mezzanine Notes that are Global Notes will bear the legend set forth below:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER

JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THIS LEGEND. THE PURCHASER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT (A) TO A TRANSFEREE (1) THAT IS A "QUALIFIED INSTITUTIONAL BUYER", AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, WHO IS ALSO A "QUALIFIED PURCHASER" (WITHIN THE MEANING OF SECTION 2(a)(51) OF THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED, AND THE RULES THEREUNDER) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHO IS ALSO A QUALIFIED PURCHASER AND (2) THAT (i) WAS NOT FORMED FOR THE SPECIFIC PURPOSE OF INVESTING IN EITHER OF THE CO-ISSUERS, AND ADDITIONAL CAPITAL OR SIMILAR CONTRIBUTIONS WERE NOT SPECIFICALLY SOLICITED FROM ANY PERSON OWNING A BENEFICIAL INTEREST IN SUCH BENEFICIAL OWNER FOR THE PURPOSE OF ENABLING SUCH BENEFICIAL OWNER TO PURCHASE ANY NOTES, (ii) IS NOT AN INVESTMENT COMPANY THAT RELIES ON THE EXCLUSION FROM THE DEFINITION OF "INVESTMENT COMPANY" PROVIDED BY SECTION 3(c)(1) OR SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT (OR A FOREIGN INVESTMENT COMPANY UNDER SECTION 7(d) THEREOF RELYING ON SECTION 3(c)(1) OR 3(c)(7) WITH RESPECT TO ITS HOLDERS THAT ARE U.S. PERSONS), WHICH WAS FORMED ON OR BEFORE APRIL 30, 1996, UNLESS IT HAS RECEIVED THE CONSENT OF ITS BENEFICIAL OWNERS WHO ACQUIRED THEIR INTERESTS ON OR BEFORE APRIL 30, 1996, WITH RESPECT TO ITS TREATMENT AS A QUALIFIED PURCHASER IN THE MANNER REQUIRED BY SECTION 2(a)(51)(C) OF THE INVESTMENT COMPANY ACT AND THE RULES AND REGULATIONS THEREUNDER, (iii) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS, (iv) IS NOT A CORPORATION, PARTNERSHIP, COMMON TRUST FUND, SPECIAL TRUST, PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE SHAREHOLDERS, EQUITY OWNERS, PARTNERS, BENEFICIARIES, BENEFICIAL OWNERS OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE OR THE ALLOCATION OF ANY INVESTMENT AMONG SUCH SHAREHOLDERS, EQUITY OWNERS, PARTNERS, BENEFICIARIES, BENEFICIAL OWNERS OR PARTICIPANTS, AS APPLICABLE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION, (v) IS NOT AN ENTITY THAT, IMMEDIATELY SUBSEQUENT TO ITS PURCHASE OR OTHER ACQUISITION OF A BENEFICIAL INTEREST IN THIS NOTE, WILL HAVE INVESTED MORE THAN 40% OF ITS ASSETS IN BENEFICIAL INTERESTS IN THIS NOTE AND/OR IN OTHER SECURITIES OF THE ISSUER, (vi) UNDERSTANDS, ON BEHALF OF ITSELF AND EACH PERSON FOR WHICH IT IS ACTING, THAT THE ISSUER MAY RECEIVE A LIST OF DTC PARTICIPANTS HOLDING NOTES (I.E. BENEFICIAL INTERESTS IN THE GLOBAL NOTES) FROM DTC AND ANY OTHER DEPOSITORY THROUGH WHICH THE NOTES (OR BENEFICIAL INTERESTS THEREIN) MAY BE HELD, AND (vii) AGREES TO PROVIDE NOTICE TO ANY SUBSEQUENT TRANSFEREE OF THE TRANSFER RESTRICTIONS PROVIDED IN THIS LEGEND OR (B) TO A PERSON (1) THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT AND (2) THAT SATISFIES THE REQUIREMENTS OF CLAUSE (A)(2) ABOVE AND (C) IN EACH CASE (1) UPON DELIVERY OF ALL CERTIFICATIONS, OPINIONS AND OTHER DOCUMENTS THAT THE CO-ISSUERS OR THE TRUSTEE MAY REQUIRE AND (2) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. FURTHER, NO SALE OR TRANSFER OF THIS NOTE TO A PERSON

INVESTING ASSETS OF A PLAN SUBJECT TO THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR ANY SIMILAR LAW MAY BE MADE UNLESS SUCH SALE OR TRANSFER WILL SATISFY THE REQUIREMENTS OF A CLASS EXEMPTION OR A STATUTORY EXEMPTION FROM THE PROHIBITED TRANSACTION RULES OF SECTION 406 OF ERISA AND SECTION 4975 OF THE CODE OR WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF SUCH SIMILAR LAW. TRANSFERS OF THE NOTES MUST BE ACCOMPANIED BY APPROPRIATE TAX AND ERISA TRANSFER DOCUMENTATION AND ARE SUBJECT TO RESTRICTIONS AS PROVIDED IN THE INDENTURE.

THIS NOTE IS NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN AND IN THE INDENTURE. ANY SALE OR 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 CO-ISSUERS, THE TRUSTEE OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO THE TRANSFEREE. IN ADDITION TO THE FOREGOING, THE CO-ISSUERS MAINTAIN THE RIGHT TO RESELL ANY INTEREST IN THIS NOTE PREVIOUSLY TRANSFERRED TO NON-PERMITTED HOLDERS (AS DESCRIBED IN THE INDENTURE) IN ACCORDANCE WITH AND SUBJECT TO THE TERMS OF THE INDENTURE. A BENEFICIAL INTEREST IN A RULE 144A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE MAY BE HELD ONLY BY PERSONS SPECIFIED IN CLAUSE (A) OF THE IMMEDIATELY PRECEDING PARAGRAPH AND A BENEFICIAL INTEREST IN A REGULATION S GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE MAY BE HELD ONLY BY PERSONS SPECIFIED IN CLAUSE (B) OF THE IMMEDIATELY PRECEDING PARAGRAPH. IF THIS NOTE IS A RULE 144A GLOBAL NOTE, THE PURCHASER ACKNOWLEDGES THAT THE TRANSFER TO IT IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT AND THAT IT WILL INFORM ANY TRANSFEREE FROM IT THAT SUCH TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A.

Unless determined otherwise by the Issuer in accordance with applicable law, the Income Notes that are Regulation S Global Notes will bear the legend set forth below:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THIS LEGEND. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT (A) TO A PERSON THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT AND (B) (1) UPON DELIVERY OF ALL CERTIFICATIONS, OPINIONS AND OTHER DOCUMENTS THAT THE ISSUER, THE TRUSTEE OR THE INDENTURE REFERRED TO IN THIS NOTE MAY REQUIRE AND (2) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. TRANSFERS OF THE NOTES MUST BE ACCOMPANIED BY APPROPRIATE TAX AND ERISA TRANSFER DOCUMENTATION AND ARE SUBJECT TO RESTRICTIONS

AS PROVIDED IN THE INDENTURE. THE HOLDER HEREOF, AND EACH PERSON FOR WHICH IT IS ACTING, UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF DTC PARTICIPANTS HOLDING NOTES (I.E. BENEFICIAL INTERESTS IN THE GLOBAL NOTES) FROM DTC AND ANY OTHER DEPOSITORY THROUGH WHICH THE NOTES (OR BENEFICIAL INTERESTS THEREIN) MAY BE HELD. IN ADDITION, NO SALE OR TRANSFER OF THIS NOTE MAY BE MADE TO A BENEFIT PLAN INVESTOR OR TO A CONTROLLING PERSON OF THE ISSUER. A BENEFIT PLAN INVESTOR IS DEFINED IN 29 CFR SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA) AS (A) ANY EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) ANY PLAN DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (C) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY TO THE EXTENT OF SUCH PLAN'S EQUITY INTEREST, AND A CONTROLLING PERSON IS DEFINED AS A PERSON, OTHER THAN A BENEFIT PLAN INVESTOR, THAT HAS DISCRETIONARY AUTHORITY OR CONTROL OVER THE ISSUER'S ASSETS OR THAT PROVIDES INVESTMENT ADVICE FOR A DIRECT OR INDIRECT FEE WITH RESPECT TO SUCH ASSETS (OR ANY AFFILIATE OF SUCH A PERSON).

Each transferee of Notes represented by an interest in a Global Note or any Physical Note issued in exchange for Global Notes will be deemed to have made each of the representations and agreements set forth as items (i) through (xi) under "—Certificated Notes to Global Notes".

A holder of a beneficial interest in a Temporary Regulation S Global Note must provide Euroclear or Clearstream or the participant organization through which it holds such interest, as the case may be, with a certificate certifying that the beneficial owner of the interest in the Temporary Regulation S Global Note is a non-U.S. Person, and Euroclear or Clearstream, as the case may be, must provide to the Paying Agent a certificate to such effect, prior to (i) the payment of interest or principal with respect to such holder's beneficial interest in the Temporary Regulation S Global Note and (ii) any exchange of such beneficial interest for a beneficial interest in a Regulation S Global Note.

Settlement

All payments in respect of the Notes shall be made in U.S. dollars in same-day funds.

INCOME TAX CONSIDERATIONS

United States Federal Income Tax Considerations

The following is a summary of certain material U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes. The summary does not purport to address U.S. federal income tax consequences applicable to all categories of holders, some of which may be subject to special rules. For example, it does not discuss the tax treatment of insurance companies, regulated investment companies or dealers in securities that are holders of the Notes. Moreover, there are no cases or rulings of the United States Internal Revenue Service (the "**IRS**") on similar transactions involving debt and/or equity interests issued by a corporation with terms similar to those of the Notes. As a result, the IRS may disagree with all or a part of the discussion below.

* * * *

Any discussion of U.S. federal tax issues set forth in this Offering Circular is written in connection with the promotion and marketing by the Co-Issuers and the Placement Agents of the transactions described in this Offering Circular. Such discussion is not intended or written to be legal or tax advice to any person and is

not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

* * * *

The following summary is based upon current provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), the Treasury regulations promulgated thereunder and judicial or ruling authorities, all of which are subject to change, which change may be retroactive. The Issuer will be provided with an opinion of Sidley Austin LLP ("**Federal Tax Counsel**") regarding certain U.S. federal income tax matters discussed below. An opinion of Federal Tax Counsel, however, is not binding on the IRS or the courts. No ruling on any of the issues discussed below will be sought from the IRS. Taxpayers and preparers of tax returns should be aware that under applicable Treasury regulations a provider of advice on specific issues of law is not considered an income tax return preparer unless the advice is (i) given with respect to events that have occurred at the time the advice is rendered and is not given with respect to the consequences of contemplated actions, and (ii) directly relevant to the determination of an entry on a tax return. Accordingly, taxpayers should consult their respective tax advisors and tax return preparers regarding the preparation of any item on a tax return, even where the anticipated tax treatment has been discussed herein. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT WITH ITS TAX ADVISOR AS TO THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES SPECIFIC TO SUCH PROSPECTIVE INVESTOR.

As used herein, a "**U.S. Holder**" means a holder of a Class A-X Note, a Senior Note, a Mezzanine Note, or an Income Note, as applicable, that is (i) a citizen or resident of the U.S. who is a natural person, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) certain trusts. If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of any Note, the treatment of a partner in that partnership will generally depend upon the status of such partner and the activities of such partnership. "**Non-U.S. Holder**" means a holder other than a U.S. Holder.

Tax Characterization of the Issuer

For U.S. federal income tax purposes, the Issuer and not the Co-Issuer will be considered the issuer of the Notes. Federal Tax Counsel is of the opinion that based on certain representations of the Issuer and assuming compliance with the transaction documents, the Issuer will not be treated as being engaged in a U.S. trade or business, and accordingly, will not be subject to entity level tax on its net income in the U.S. If, contrary to the opinion of Federal Tax Counsel, the Issuer were engaged in a U.S. trade or business, it would be potentially subject to substantial U.S. federal income taxes. The imposition of such taxes would materially adversely affect the yield on the Notes.

The Issuer will be subject to U.S. withholding taxes on certain types of income (for example, dividends on stock of a U.S. issuer and interest not qualifying as portfolio interest for U.S. income tax purposes), but it generally does not expect to earn any material amounts of such income. Based on opinions of special tax counsel to the PreTS^{sm} Issuers, the Subordinated Debenture Issuers, the I-PreTS^{sm} Issuers, the I-DS Issuers, the Surplus Note Issuers and the R-PreTS^{sm} Issuers, representations of the Corresponding Debenture Issuers in respect of the PreTS^{sm}, the I-PreTS^{sm} and the R-PreTS^{sm} and representations of the Subordinated Debenture Issuers, the I-DS Issuers, and the Surplus Note Issuers, the Issuer expects for U.S. federal income tax purposes: (i) the Corresponding Debentures underlying the PreTS^{sm}, the I-PreTS^{sm} and R-PreTS^{sm} will be classified as indebtedness, (ii) each PreTS^{sm} Issuer, I-PreTS^{sm} Issuer and R-PreTS^{sm} Issuer will be treated as a separate grantor trust, and accordingly, the Issuer, as holder of PreTS^{sm}, I-PreTS^{sm}, and R-PreTS^{sm} will generally be treated as the owner of a *pro rata* undivided interest in the related Corresponding Debentures, and

(iii) the Subordinated Debentures, the I-DS and the Surplus Notes will be classified as indebtedness. In addition, it is expected that (x) the Corresponding Debentures underlying each Trust Preferred D-SMS will be treated as debt for U.S. federal income tax purposes and that each Trust Preferred D-SMS Issuer will be treated as a separate grantor trust, and accordingly, the Issuer, as holder of Trust Preferred D-SMS will generally be treated as the owner of a *pro rata* undivided interest in the related Corresponding Debentures based on the applicable Trust Preferred D-SMS documentation and (y) the I-SMS will be treated as debt for U.S. federal income tax purposes based on the applicable SMS documentation. Accordingly, the Issuer does not expect any material amount of income it derives in respect of the Capital Securities to be subject to withholding taxes at the time they are acquired from the issuer. An issuer's characterization of an instrument as debt or equity is not binding on the IRS, and no ruling from the IRS will be sought in respect of the Corresponding Debentures, the Subordinated Debentures or the Surplus Notes or any of the other Capital Securities. If, contrary to the opinions of counsel and the representations described above, the IRS were to conclude that any of the Capital Securities were not debt or interests in debt for U.S. federal income tax purposes, income derived by the Issuer in respect of such corresponding Capital Securities would be subject to U.S. withholding taxes and no gross-up payment would be made in respect of such withholding taxes.

Two I-DS Issuers (the "**Designated I-DS Issuers**") are public limited companies incorporated under the laws of England and Wales. Based on the opinions of counsel to the Designated I-DS Issuers, each Designated I-DS Issuer expects that all payments made by such Designated I-DS Issuer will be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Kingdom of England or any political subdivision or taxing authority thereof or therein. If the tax law relating to withholding tax were to change with the result that a withholding tax would be imposed on payments made by a Designated I-DS Issuer, a "gross up" payment of additional amounts will be required unless the Designated I-SDS Withholding Tax Condition is not satisfied with respect to the related Designated I-DS Issuer, and, therefore, the Issuer expects that any withholding tax imposed on payments on all or a portion of the I-DS (such I-DS, the "**Designated I-DS**") issued by such Designated I-DS Issuer should not reduce the amounts available to such Designated I-DS Issuer to make payments on its Designated I-DS.

In addition, there could be a change in tax law after issuance of the Capital Securities that results in the application of withholding taxes. In such a case, if the Capital Securities are not redeemed, the issuers of Capital Securities (other than the PreTS^{sm} and the R-PreTS^{sm}) will not be obligated to pay any gross-up amount in respect of such withholding taxes. Accordingly, if the Issuer is subject to withholding taxes, the Issuer's ability to make timely payments on the Notes could be impaired.

Tax Consequences to Holders of the Class A-X Notes, Senior Notes and Mezzanine Notes

Treatment of the Class A-X Notes, Senior Notes and Mezzanine Notes as Indebtedness. In the opinion of Federal Tax Counsel, the Class A-X Notes, the Senior Notes and the Mezzanine Notes will be treated as debt for U.S. federal income tax purposes. The Issuer will agree, and the holders of the Class A-X Notes, Senior Notes and Mezzanine Notes will agree by their purchase of such Notes, to treat those Notes in this manner. The discussion below assumes this characterization of the Class A-X Notes, Senior Notes and Mezzanine Notes is correct.

Interest Income and Other Amounts Paid on the Class A-X Notes, Senior Notes and Mezzanine Notes. The Issuer intends to treat interest on the Class A-X Notes, Senior Notes and Mezzanine Notes as "qualified stated interest" under Treasury regulations relating to original issue discount ("**OID**") (hereafter the "**OID regulations**"). Qualified stated interest, which generally must be unconditionally payable at least annually, is taxed under a U.S. Holder's normal method of accounting. Discount on the Class A-X Notes, Senior Notes and Mezzanine Notes arising from an issuance at less than par will be required to be accrued under the OID regulations only if such discount exceeds a statutorily defined *de minimis* amount. *De minimis* OID is included in income on a *pro rata* basis as principal payments are made on the Class A-X Notes, Senior Notes and Mezzanine Notes.

It is possible that interest on the Mezzanine Notes (together with any issuance discount) could be treated as OID because such interest is subject to deferral in certain limited circumstances. A U.S. Holder must include OID in income over the term of the Note under a constant yield method that takes into account the compounding of interest. OID is calculated and accrued using prepayment assumptions where payments on a debt instrument may be accelerated by reason of prepayments of other obligations securing such debt instrument. Here, the rate of prepayment for the Class A-X Notes, Senior Notes and Mezzanine Notes is based upon the paydown of the Capital Securities. The Issuer intends to assume that all of the Capital Securities (other than the Unmodified PreTSL III PreTS[sm]) will prepay on their First Call Dates as shown in Annex D-1, D-2, E and F (which, in most cases, is their respective Capital Security Payment Date in September 2011). In addition, the Issuer intends to assume that 10% of the outstanding Aggregate Principal Amount of the Unmodified PreTSL III PreTS[sm] (as shown in Annex D-2) will prepay in the first year after the Closing Date, 15% of the outstanding Aggregate Principal Amount of the Unmodified PreTSL III PreTS[sm] will prepay in the second year, 20% of the outstanding Aggregate Principal Amount of the Unmodified PreTSL III PreTS[sm] will prepay in the third year, 25% of the outstanding Aggregate Principal Amount of the Unmodified PreTSL III PreTS[sm] will prepay in the fourth year and 100% of the outstanding Aggregate Principal Amount of the Unmodified PreTSL III PreTS[sm] will prepay in the fifth year. No representation is made that the Capital Securities will pay on the basis of such prepayment assumptions or in accordance with any other prepayment assumptions.

As an alternative to the above treatments, U.S. Holders may elect to include in gross income all interest with respect to the Class A-X Notes, Senior Notes and Mezzanine Notes as applicable, including qualified stated interest, acquisition discount, OID, *de minimis* OID, market discount, and *de minimis* market discount, as adjusted by any amortizable bond premium or acquisition premium, using the constant yield method described above.

Sale or Other Disposition. If a U.S. Holder sells a Class A-X Note, Senior Note or Mezzanine Note, the U.S. Holder will recognize gain or loss in an amount equal to the difference between the amount realized on the sale and the U.S. Holder's adjusted tax basis in such Note. The adjusted tax basis of such Note held by a particular U.S. Holder will equal the U.S. Holder's cost for such Note, increased by any market discount, acquisition discount, OID and gain previously included by such U.S. Holder in income with respect to that Note and decreased by the amount of bond premium (if any) previously amortized and by the amount of payments (other than qualified stated interest) previously received by such U.S. Holder with respect to such Note. A U.S. Holder may also recognize gain upon receipt of a principal payment equal to the difference between the amount received and the portion of its basis that is considered to be allocated to such payment. Any such gain or loss will be capital gain or loss if the Class A-X Note, Senior Note or Mezzanine Note was held as a capital asset, except for gain representing accrued interest and accrued market discount not previously included in income. In certain circumstances, U.S. Holders who are individuals may be entitled to preferential treatment for net capital gains. Capital losses generally may be used only to offset capital gains. The ability of U.S. Holders to offset capital losses against ordinary income is limited.

Non-U.S. Holders of Class A-X Notes, Senior Notes or Mezzanine Notes. A holder of a Class A-X Note, Senior Note or Mezzanine Note that is a Non-U.S. Holder will not be subject to withholding of U.S. federal income tax on payments in respect of such Notes. In addition, a Non-U.S. Holder will not be subject to U.S. federal income tax on its interest from its Class A-X Note, Senior Note or Mezzanine Note unless such income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the U.S.

Generally, a Non-U.S. Holder will not be subject to federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Class A-X Note, Senior Note or Mezzanine Note, unless such Non-U.S. Holder is an individual who is present in the U.S. for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the U.S. Certain other exceptions may be applicable, and a Non-U.S. Holder should consult its tax advisor in this regard.

Backup Withholding. U.S. backup withholding taxes may apply to payments made in respect of the Class A-X Notes, Senior Notes or Mezzanine Notes to registered owners that are not "exempt recipients" and

that fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Class A-X Notes, Senior Notes or Mezzanine Notes to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described below would establish an exemption from backup withholding for those Non-U.S. Holders that are not exempt recipients.

To avoid backup withholding, a Non-U.S. Holder that is not an exempt recipient generally must submit a signed IRS Form W-8BEN ("**W-8BEN**") or similar form (a "**Withholding Certificate**") or otherwise provide that such holder is not a U.S. person to the last Withholding Agent. A "**Withholding Agent**" is any U.S. person (or a foreign person, if such person is a qualified intermediary, a U.S. branch of a foreign person, or withholding foreign partnership) that has control, receipt or custody of an amount subject to withholding, or who can disburse or make payment of an amount subject to withholding.

The Withholding Certificate submitted to the Withholding Agent must certify the following under penalties of perjury:

- The Holder is the beneficial owner of the Class A-X Notes, Senior Notes or the Mezzanine Notes;
- The beneficial owner is not a U.S. Holder;
- Any payments made on the Class A-X Notes, Senior Notes or the Mezzanine Notes are not effectively connected with the conduct of a trade or business in the U.S. or are effectively connected but not subject to tax under an income tax treaty;
- The name and permanent residence address (in the country where the Non-U.S. Holder claims to be a resident for the purposes of that country's income tax) of the beneficial owner; and
- The tax identification number of the beneficial owner, if required.

A Withholding Certificate is generally effective for the remainder of the year in which it is signed, plus an additional three full calendar years unless a change in circumstances occurs that makes any information on the form incorrect. Notwithstanding the preceding sentence, a W-8BEN withholding certificate or form with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, *provided* that the Withholding Agent reports at least one payment annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of such a change and furnish a new W-8BEN.

A Non-U.S. Holder that is not an individual or a corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding the Class A-X Notes, Senior Notes or Mezzanine Notes on its own behalf (e.g., a foreign partnership, foreign simple or grantor trust) may have substantially increased reporting requirements and should consult its tax advisor. A Non-U.S. Holder whose income with respect to its investment in a Class A-X Note, Senior Note or Mezzanine Note is effectively connected with the conduct of a U.S. trade or business would generally be taxed as if the holder was a U.S. person unless the holder fails to file IRS Form W-8ECI with the Withholding Agent. Certain securities clearing organizations and other entities who are not beneficial owners may be able to provide a signed statement to the Withholding Agent (normally made on IRS Form W-8IMY). However, in such case, the signed statement may require a copy of the beneficial owner's W-8BEN (or an acceptable substitute form).

In addition, upon the sale of a Class A-X Note, Senior Note or Mezzanine Note to (or through) a broker, the broker must report the sale and collect backup withholding taxes, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller certifies that such seller is a Non-U.S. Holder (and certain other conditions are met). Certification of the registered owner's non-U.S. status would be made normally on an IRS Form W-8BEN or similar documentary evidence.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's U.S. federal income tax provided the required information is furnished to the IRS.

Prospective investors are strongly urged to consult their own tax advisors with respect to the withholding requirements.

Tax Consequences of the Income Notes as Equity

Because there is a strong likelihood that under U.S. federal income tax principles the Income Notes, although denominated as debt, will be treated as equity, the Issuer will treat, and the holders of these Notes by their purchases will agree to treat, the Income Notes as equity for U.S. federal income tax purposes. Investors should consider the tax consequences of such characterization. In general, the characterization of an instrument for U.S. federal income tax purposes as debt or equity by its issuer as of the time of issuance is binding on a holder (but not the IRS), unless the holder takes an inconsistent position and discloses such position in its U.S. tax return.

Accordingly, a U.S. Holder of an Income Note is required to include in income payments of "interest" and "principal" as distributions on equity of the Issuer. In addition, unless the Issuer is treated as being engaged in a U.S. trade or business, generally "interest" income derived by a U.S. Holder of an Income Note with respect to an Income Note which is treated as equity should constitute foreign source income that will be treated as passive income for U.S. foreign tax credit purposes. Each U.S. Holder of an Income Note should consult its own tax advisors as to how it should treat this income for purposes of its particular foreign tax credit calculation.

The Issuer intends to compute income for U.S. federal income tax purposes using the prepayment assumptions discussed above under "*—Tax Consequences to Holders of the Class A-X Notes, Senior Notes and Mezzanine Notes—Interest Income and Other Amounts Paid on the Class A-X Notes, Senior Notes and Mezzanine Notes*." The IRS could argue that a slower prepayment assumption should be used. If the IRS were successful in making such an assertion, it could result in a deferral in amortization of issuance and placement expenses, which could increase current income recognized by a U.S. Holder and possibly cause a capital loss on disposition. Issuance and placement expenses related to the Income Notes are not amortizable.

Tax Consequences to Holders of the Income Notes

Effect of Classification of the Issuer as a Controlled Foreign Corporation. Depending on the ownership of the Income Notes, it is possible that the Issuer will be classified as a controlled foreign corporation ("**CFC**") for U.S. federal income tax purposes. A CFC is a foreign corporation in which "U.S. Shareholders" collectively own more than 50% of the total combined voting power or value of the corporation's equity for an uninterrupted period of 30 days or more during any tax year. A "**U.S. Shareholder**" is generally any U.S. Holder that owns (directly, indirectly or through operation of certain broad constructive ownership rules) 10% or more of the total combined voting power of the foreign corporation. Although it is not clear how the voting power of the Issuer would be determined for these purposes, if the Issuer qualified as a CFC any U.S. Shareholder that has a 10% or greater *pro rata* equity interest in the Issuer, including the Income Notes, could be required to include in income on a current basis its *pro rata* share of the subpart F income of the Issuer whether or not distributed.

Effect of Classification of Issuer as Passive Foreign Investment Company. Based on the expected composition of its assets, the Issuer will be classified as a passive foreign investment company ("**PFIC**"). If a U.S. Holder does not make an election to treat its Income Notes as stock in a Qualified Electing Fund ("**QEF**"), such holder could be subject to potentially adverse U.S. federal income tax consequences as the holder of an equity interest in a PFIC. The result of such a QEF election is that a U.S. Holder generally can avoid the special tax referred to below by agreeing to include income (which may exceed actual distributions) from the Income Notes in such holder's income as such income accrues (based on such holder's share of the

Issuer's earnings and profits as determined using U.S. tax principles) rather than when the Issuer distributes cash or other property to such holder. The Issuer will provide certain information relating to ownership of its shares and its income which will allow each U.S. Holder to elect to treat the Income Notes as shares in a QEF. U.S. Holders of Income Notes are urged to consult their own tax advisors concerning the consequences of making a QEF election.

A U.S. Holder that does not make a QEF election and that receives an "excess distribution" will be required to allocate the excess distribution ratably to each day in the holder's holding period for the Income Notes and pay a "deferred tax amount" with respect to each prior year in the holding period. The total excess distribution for any taxable year is the excess of (a) the total distributions for the year over (b) 125 percent of the average amount received in respect of such non-electing U.S. Holder during the three preceding years. In addition, any gain recognized on the sale, retirement or other taxable disposition of Income Notes would be recharacterized as an excess distribution and would further be treated as having been recognized *pro rata* over such U.S. Holder's entire holding period. The amount of gain treated as having been recognized in prior taxable years will be subject to tax at the highest tax rate in effect for such years, with interest thereon calculated by reference to the interest rate generally applicable to underpayments with respect to tax liabilities from such prior taxable years. Moreover, a transfer by gift or a pledge of the Income Notes could cause a U.S. Holder to recognize taxable income. Also, an individual U.S. Holder would not get a step-up in tax basis to the fair market value of such Income Notes upon the holder's death.

If the Issuer is classified as both a PFIC and a CFC, a U.S. Shareholder that is subject to current inclusion under the CFC rules would not be subject to the PFIC rules with respect to such equity interest. One consequence of being subject to the rules applicable to CFCs instead of the rules applicable to PFICs is that the character of income as net capital gain does not flow through to a U.S. Shareholder while net capital gain does flow through to a U.S. Holder in a PFIC who makes a QEF election.

Holders who are owned directly or indirectly by U.S. Holders considering investing in the Income Notes should consult their tax advisor as to the consequences of owning an equity interest in a PFIC or a CFC.

Distributions on the Income Notes. The treatment of actual distributions of cash on Income Notes will vary depending on whether the U.S. Holder is recognizing income or loss under the CFC rules or PFIC rules described above. Very generally, if the U.S. Holder is recognizing income under such rules, dividends should be allocated first to amounts previously taxed pursuant to these rules and to this extent would not be taxable again to U.S. Holders. Distributions in excess of such previously taxed amounts will be taxable to U.S. Holders, like ordinary dividends, as ordinary income upon receipt, to the extent of any remaining amounts of untaxed current and accumulated earnings and profits of the Issuer. These distributions will not constitute "qualified dividend income" which, in the case of U.S. Holders who are individuals, may be eligible for a reduced rate of tax. 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 and then as capital gain. In addition, unless the Issuer is treated as being engaged in a U.S. trade or business, dividend income derived by a U.S. Holder should generally constitute foreign source income that will be treated as passive income for U.S. foreign tax credit purposes. Each U.S. Holder should consult its own tax advisors as to how it should treat this income for purposes of its particular foreign tax credit calculation.

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 "*—Effect of Classification of Issuer as Passive Foreign Investment Company*" above.

Sale or Other Disposition of Equity. Except as discussed above, gain or loss that is recognized on the Income Notes generally will be capital gain or loss. Some or all of any gain recognized by a U.S. Holder owning at least 10% of the Income Notes (either directly, indirectly, or under certain constructive ownership rules) may be treated as ordinary income.

Unrelated Business Taxable Income. The income on the Income Notes (unless debt financed) will not be treated as unrelated business taxable income ("**UBTI**").

Information Reporting Requirements. Pursuant to the Treasury regulations with regards to reporting requirements relating to the transfer of property (including certain transfers of cash) to a foreign corporation by U.S. Holders, U.S. Holders who acquire Income Notes may be required to file an IRS Form 926 with the IRS and to supply certain additional information to the IRS. In the event a U.S. Holder fails to file any such required form, the holder could be subject to a penalty equal to 10% of the gross amount paid for the Notes subject to a maximum penalty of U.S.$100,000 (except in cases involving intentional disregard). Purchasers of Income Notes are urged to consult their tax advisors regarding these reporting requirements.

Non-U.S. Holders of Income Notes. A holder of an Income Note that is a Non-U.S. Holder will not be subject to withholding or backup withholding of U.S. federal income tax on payments in respect of such Notes provided such holder complies with the reporting requirements discussed above in "*—Non-U.S. Holders of Class A-X Notes, Senior Notes or Mezzanine Notes*" and "*—Backup Withholding.*"

European Union Directive on Taxation of Savings Income

The EU has adopted a Directive regarding the taxation of savings income. From 1 July 2005, Member States are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

Cayman Islands Tax Considerations

Prospective investors should consult their professional advisors on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws:

(i) payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax;

(ii) no stamp duty is payable in respect of the issue and transfer of the Notes although duty may be payable if Notes are executed in or brought into the Cayman Islands; and

(iii) certificates evidencing the Notes, in registered form, to which title is not transferable by delivery, should not attract Cayman Islands stamp duty. However, an instrument transferring title to a Note, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

The Issuer will be incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and expects to receive 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:

Preferred Term Securities XXIII, 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 THIRTY years from the date of issue of this Undertaking.

GOVERNOR IN CABINET"

The Cayman Islands does not have an income tax treaty arrangement with the U.S. or any other country. However, the Cayman Islands has entered into an information exchange agreement with the U.S.

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

CERTAIN ERISA CONSIDERATIONS

General

The United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into

account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "Risk Factors" and the fact that in the future there may be no market in which the fiduciary will be able to sell or otherwise dispose of any Notes it may purchase.

* * * *

Any discussion of U.S. federal tax issues set forth in this Offering Circular is written in connection with the promotion and marketing by the Co-Issuers and the Placement Agents of the transactions described in this Offering Circular. Such discussion is not intended or written to be legal or tax advice to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

* * * *

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory, regulatory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Laws**"). Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

The United States Department of Labor has promulgated a regulation, 29 CFR Section 2510.3-101 (the "**Plan Asset Regulation**"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by Benefit Plan Investors is not "significant". The term "**Benefit Plan Investor**" is defined in the Plan Asset Regulation as (a) any employee benefit plan (as defined in Section 3(3) of ERISA), that is subject to the provisions of Title I of ERISA, (b) any plan described in and subject to Section 4975 of the Code and (c) any entity whose underlying assets include plan assets by reason of a plan's investment in the entity, to the extent of the equity interest held by such plans.

None of the Class A-X Notes, the Senior Notes or the Mezzanine Notes should be considered to be "equity interests" in the Co-Issuers. However, the Income Notes may constitute an "equity interest" in the Issuer for purposes of the Plan Asset Regulation, and such Income Notes will not constitute "publicly-offered securities" for purposes of the Plan Asset Regulation. In addition, the Issuer will not be registered under the Investment Company Act and it is not likely that the Issuer will qualify as an "operating company" for purposes of the Plan Asset Regulation. Therefore, if equity participation in the Issuer by Benefit Plan Investors is "significant" within the meaning of the Plan Asset Regulation, the assets of the Issuer would be considered to be the assets of any Plans that purchase or hold Income Notes. In such circumstances, in addition to considering the applicability of ERISA and the Code to the Income Notes, a Plan fiduciary considering an investment in the Income Notes should consider the applicability of ERISA and the Code to transactions involving the Issuer and its assets, including whether such transactions might constitute a

prohibited transaction under ERISA or Section 4975 of the Code or otherwise may result in a breach of fiduciary duty under ERISA.

Under the Plan Asset Regulation, equity participation in an entity (including the Issuer) by Benefit Plan Investors is "significant" on any date if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests in the entity is held by Benefit Plan Investors. For purposes of this determination, the value of equity interests held by a person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the entity or that provides investment advice for a fee (direct or indirect) with respect to such assets (or any Affiliate of such a person) is disregarded (any such person with respect to the Co-Issuers, a "**Controlling Person**").

The Issuer intends to limit equity participation in the Issuer by Benefit Plan Investors to less than 25% of the Income Notes. In order to effect this limitation, each prospective purchaser of Income Notes in certificated form in the initial offering thereof will be required to represent whether such purchaser is a Benefit Plan Investor or Controlling Person. No Income Notes in certificated form will be sold to purchasers that have represented that they are Benefit Plan Investors or Controlling Persons to the extent that such sale would result in Benefit Plan Investors owning 25% or more of the Income Notes. In addition, as a condition to the transfer of Income Notes in certificated form after the initial offering thereof, each prospective transferee will be required to represent whether such transferee is a Benefit Plan Investor or Controlling Person, and the Trustee will not register the transfer of such Income Notes to persons that have represented that they are Benefit Plan Investors or Controlling Persons to the extent such transfer would result in Benefit Plan Investors owning 25% or more of the Income Notes, whether directly or indirectly through ownership of other entities. No Income Notes in the form of a Regulation S Global Note may be sold to Benefit Plan Investors or Controlling Persons, and each purchaser of an Income Note in Regulation S Global Note form will be deemed to represent that it is not a Benefit Plan Investor or a Controlling Person.

In addition, an investor (whether or not it is a Plan or a Benefit Plan Investor) may purchase an Income Note only if, after giving effect to such purchase, the investor will not own, directly or indirectly, more than 49.9% of the Aggregate Principal Amount of the Income Notes.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if Notes are acquired by a Plan with respect to which the Co-Issuers or any of the Placement Agents, or any of their respective affiliates, is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire a Class A-X Note, Senior Note, Mezzanine Note or Income Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption ("**PTCE**") 96-23 (relating to transactions directed by an in-house professional asset manager); PTCE 95-60 (relating to transactions involving insurance company general accounts); PTCE 91-38 (relating to investments by bank collective investment funds); PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"); PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and the service provider exemption provided by Section 408(b)(17) of ERISA and Section 4975(d)(2) of the Code. There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

By its purchase of any Class A-X Note, Senior Note or Mezzanine Note in the form of a Global Note, the Purchaser thereof will be deemed to have represented and warranted, on each day from the date on which the Purchaser acquires the Class A-X Note, Senior Note or the Mezzanine Note, as the case may be, through and including the date on which the Purchaser disposes of its interest in such Class A-X Note, Senior Note or Mezzanine Note, as the case may be, either that (a) it is not a Plan, an entity whose underlying assets include the assets of any Plan, or a plan which is subject to any Similar Law or (b) its purchase, holding and disposition of such Class A-X Note, Senior Note or Mezzanine Note, as the case may be, will satisfy the requirements for exemptive relief under PTCE 96-23, PTCE 95-60, PTCE 91-38, PTCE 90-1, PTCE 84-14, the

service provider exemption provided by Section 408(b)(17) of ERISA and Section 4975(d)(2) of the Code or a similar exemption (or, in the case of a plan subject to any Similar Law, will not result in a nonexempt violation of such Similar Law).

Each purchaser of any Class A-X Note, Senior Note, Mezzanine Note or Income Note in certificated form will be required to represent and warrant, on each day from the date on which the purchaser acquires the Class A-X Note, Senior Note, Mezzanine Note or Income Note, as the case may be, through and including the date on which the purchaser disposes of its interest in such Class A-X Note, Senior Note, Mezzanine Note or Income Note, as the case may be, either that (a) it is not a Plan, an entity whose underlying assets include the assets of any Plan, or a plan which is subject to any Similar Law or (b)(i) its purchase, holding and disposition of such Class A-X Note, Senior Note or Mezzanine Note, as the case may be, will satisfy the requirements for exemptive relief under PTCE 96-23, PTCE 95-60, PTCE 91-38, PTCE 90-1, PTCE 84-14, the service provider exemption provided by Section 408(b)(17) of ERISA and Section 4975(d)(2) of the Code or a similar exemption (or, in the case of a plan subject to any Similar Law, will not result in a nonexempt violation of such Similar Law) or (ii) its purchase, holding and disposition of such Income Note will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a plan subject to any Similar Law, will not result in a violation of such Similar Law) for which an exemption (all the conditions of which are satisfied) is not available.

Any Plan fiduciary which proposes to cause a Plan to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA or the Code.

The sale of any Notes to a Plan is in no respect a representation by the Co-Issuers, or either of the Placement Agents, 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 Plans generally or any particular Plan.

CERTAIN LEGAL INVESTMENT CONSIDERATIONS

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 Notes. Any such institution should consult its legal advisors in determining whether and to what extent there may be restrictions on its ability to invest in the Notes. Without limiting the foregoing, any financial institution that is subject to the jurisdiction of the Comptroller of Currency, the Board of Governors of the Federal Reserve System and any successor federal agency that is primarily responsible for regulating the activities of bank holding companies, the FDIC, the Office of Thrift Supervision and any successor federal agency that is primarily responsible for regulating the activities of savings and loan holding companies, the National Credit Union Administration, any state insurance commission, or any other federal or state agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing the Notes. Depository institutions should review and consider the applicability of the Federal Financial Institutions Examination Council Supervisory Policy Statement on Securities Activities, which has been adopted by the respective federal regulators. The Co-Issuers understand that certain state insurance regulators, in response to a request for guidance, have 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.

None of the Issuer, the Co-Issuer and the Placement Agents makes any representation as to the proper characterization of the Notes for legal investment or other purposes, the ability of particular investors to purchase the Notes for legal investment or other purposes, or the ability of particular investors to purchase the

Notes under applicable investment restrictions. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial institution regulatory characteristics of the Notes) may affect the liquidity of the Notes. Accordingly, all institutions whose activities are subject to investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult their own legal advisors in determining whether and to what extent the Notes are subject to investment, capital or other restrictions.

RATINGS

It is a condition to the issuance of the Notes that the Class A-X Notes and each class of Senior Notes be rated "Aaa" by Moody's, "AAA" by S&P and "AAA" by Fitch, that each class of Class B Mezzanine Notes be rated at least "Aa2" by Moody's and at least "AA" by Fitch, that each class of Class C Mezzanine Notes be rated at least "A3" by Moody's and at least "A-" by Fitch and that the Class D Mezzanine Notes be rated at least "BBB" by Fitch. The Income Notes will not be rated.

The rating assigned by Moody's to a class of Notes will address the ultimate cash receipt of all interest and principal payments thereon. The rating assigned by S&P to the Class A-X Notes and to each class of Senior Notes will address the timely payment of interest on and the ultimate receipt of principal of such class of Notes. The ratings assigned by Fitch to the Class A-X Notes and to each class of Senior Notes will address the likelihood that investors will receive full and timely payments of interest, as well as the Aggregate Principal Amount or the Amortizing Nominal Balance, as applicable, of the Notes of the related class by the applicable Stated Maturity Date. The ratings assigned by Fitch to each class of Mezzanine Notes will address the likelihood that investors will receive ultimate interest and deferred interest payments, as well as the Aggregate Principal Amount of the Mezzanine Notes of the related class by the applicable Stated Maturity Date.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. In the event that a rating initially assigned to the Class A-X Notes, the Senior Notes or the Mezzanine Notes is subsequently lowered for any reason, no person or entity is obligated to provide any additional support or credit enhancement with respect to the Notes.

USE OF PROCEEDS

The gross proceeds from the sale of the Notes, in the aggregate amount of U.S.$1,558,640,000, will be applied by the Issuer (i) to purchase U.S.$1,467,000,000 aggregate principal balance of (a) 108 PreTS^{sm} issued by trust subsidiaries of 107 depository institution holding companies, (b) six Subordinated Debentures issued by the Subordinated Debenture Issuers, (c) seven Trust Preferred D-SMS issued by the Trust Preferred D-SMS Issuers, (d) two I-PreTS^{sm} issued trust subsidiaries of two insurance holding companies, (e) three I-DS issued by the I-DS Issuers, (f) two Surplus Notes issued by the Surplus Note Issuers, (g) five I-SMS issued by the I-SMS Issuers and (h) three R-PreTS^{sm} issued by the R-PreTS^{sm} Issuers, (ii) to make the Reserve Account Deposit in the amount of U.S.$400,000, (iii) to purchase, at a price of U.S.$2,407,673.16, the Reserve Account Strip that will be deposited in the Reserve Account and (iv) to pay organizational expenses and the expenses of the issuance of the Notes, including without limitation, the placement fees of the Placement Agents. The expenses of the issuance of the Notes also include expenses of €7,190 in total for initial listing of the Class A-X Notes, the Senior Notes and the Mezzanine Notes on the ISE. The net proceeds from the sale of the Notes (the gross proceeds *minus* the aggregate amount in clause (iv)) is estimated to be U.S.$1,509,650,781. In most cases, the purchase price of the Capital Securities will include accrued and unpaid interest thereon.

It is anticipated that five Capital Securities having an aggregate Principal Balance of U.S.$115,000,000 will be acquired by the Issuer after the Closing Date (the "**Delayed Settlement Capital Securities**"). In addition, if for any reason Capital Securities (not including any Delayed Settlement Capital

Securities) having an aggregate principal balance not to exceed U.S.$210,000,000 cannot be purchased by the Issuer on or about the Closing Date (any such Capital Security, a "**Failed Settlement Capital Security**" and together with any Delayed Settlement Capital Securities, the "**Non-settled Capital Securities**"), then the Issuer will consummate the transactions contemplated herein to the extent that it can on the Closing Date and the Issuer will endeavor to purchase the Failed Settlement Capital Securities after the Closing Date. The Issuer will invest the portion of the proceeds of the offering of the Notes that is allocable to the purchase price for any Non-settled Capital Securities (the "**Non-settled Amount**") in Eligible Investments. If the Issuer is unable to purchase any Non-settled Capital Security, then it will seek to acquire one or more securities designated by either of the Placement Agents (a "**Replacement Capital Security**"); provided that (i) any portion of the Non-settled Amount relating to a Non-settled Capital Security that is a D-Capital Security may only be used to purchase a depository institution related capital security; (ii) any portion of the Non-settled Amount relating to a Non-settled Capital Security that is an I-Capital Security may be used to purchase a depository institution related capital security or an insurance related capital security and(iii) any portion of the Non-settled Amount relating to a Non-settled Capital Security that is a R-PreTS^{sm} may be used to purchase a depository institution related capital security, an insurance related capital security or a real estate related capital security. Before purchasing any Replacement Capital Security, the Issuer will first obtain confirmation that such purchase will not cause S&P or Moody's (if the Moody's Replacement Condition is not satisfied in connection with such purchase) to reduce or qualify any of their ratings of the Notes. If such purchase or purchases are not made by the Payment Date in December, 2006, then the unused portion of the Non-settled Amount will be applied to redeem each class of Notes (other than the Class A-X Notes and the FP Notes) *pro rata* on the basis of the outstanding principal amount of such class of Notes.

PLAN OF DISTRIBUTION

The Notes are being offered by the Issuer (and the Co-Issuer in the case of the Class A-X Notes, the Senior Notes and the Mezzanine Notes) through FTN Financial Capital Markets, a division of First Tennessee Bank National Association, and Keefe, Bruyette & Woods, Inc., as placement agents (in such capacity, severally, the "**Placement Agents**"), to prospective purchasers from time to time in negotiated transactions at varying prices to be determined in each case at the time of sale. FTN Financial Capital Markets is a part of FTN Financial Group which is a division of First Tennessee Bank National Association. FTN Financial Group, through First Tennessee Bank or its affiliates, offers investment products and services. Keefe, Bruyette & Woods, Inc. is a full-service investment banking, securities trading and brokerage firm specializing in the financial services sector. The Placement Agents or their affiliates may, but are not obligated to, purchase any Notes (including upon their initial issuance if they are not then purchased by investors). Any Notes purchased by any of them may be resold by them. Pursuant to each placement agreement with the Co-Issuers, the Co-Issuers will agree to indemnify the Placement Agents against certain liabilities, including under the Securities Act, or to contribute to payments the Placement Agents may be required to make in respect thereof.

The Notes are offered when, as and if issued, subject to prior sale or withdrawal, cancellation or modification of the offer without notice and subject to approval of certain legal matters by counsel and certain other conditions.

The Notes are new securities for which there currently is no market. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

Accordingly, in connection with sales outside the United States, each Placement Agent has agreed that, except as permitted by the placement agreement, it will not offer or arrange a sale of Notes within the United States or to, or for the account or benefit of, U.S. Persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, and it will have sent to each dealer with which it places Notes during the 40-day restricted period a confirmation or other notice setting forth the restrictions on offers and sales of Notes within the United States or to, or for the account or benefit of, U.S. Persons. In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A or Section 4(2) of the Securities Act.

United Kingdom

In addition, each Placement Agent has also represented and agreed that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Co-Issuers; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

France

Each Placement Agent has represented, warranted and agreed in the Placement Agreement that (i) it has not offered or sold, and will not offer or sell, directly or indirectly, the Notes to the public in France and that offers and sales of the Notes in France will be made only to Qualified Investors ("**Investisseurs Qualifies**") and/or a Limited Circle of Investors ("**Cercle Restreint D'Investisseurs**"), all as defined and in accordance with Article L.411-2 and D. 411-2 of the French Code Monétaire et Financier, all acting for their own account and under the conditions of Articles D.411-1, D. 411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code Monétaire et financier, (ii) it has not distributed nor caused to be distributed and will not distribute nor cause to be distributed in France this Offering Circular or any other offering material relating to the Notes other than to investors to whom offers and sales of the Notes in France may be made as described above and (iii) the direct or indirect offer, marketing, distribution, sale, re-sale or other transfer, to the public in the Republic of France, of the Notes so purchased can only be made in accordance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Code monétaire et financier.

Placement Agents

The Placement Agents may be contacted as follows:

FTN Financial Capital Markets,
a division of First Tennessee Bank National Association
845 Crossover Lane
Suite 150
Memphis, TN 38117
Tel: (800) 456-5460
Fax: (901) 435-4706
Attention: Structured Products Group

Keefe, Bruyette & Woods, Inc.
787 Seventh Avenue, 4th Floor
New York, NY 10019
Tel: (800) 966-1559
Fax: (212) 541-6668
Attention: Structured Finance Group

Each Placement Agent may have ongoing relationships and business dealings with one or more Corresponding Debenture Issuers, Subordinated Debenture Issuers, the I-DS Issuers, the Surplus Note Issuers or their respective affiliates, may have loans outstanding to them and may own equity or debt securities issued by them. These business dealings, which may continue during the life of the Notes, may include, without limitation, (i) the provision of investment banking services, insurance services, commercial banking services, underwriting, other capital raising activities and financial advisory services, (ii) the purchase and sale of assets and (iii) investment in debt or equity securities issued by, or loans made to, such Corresponding Debenture Issuers, Subordinated Debenture Issuer, I-DS Issuers, Surplus Note Issuers or any of their respective Affiliates.

The Placement Agents have acted or are acting as placement agents in connection with all of the PreTS[sm], the Subordinated Debentures, the I-PreTS[sm] and the R-PreTS[sm], the Surplus Notes and have earned or are earning a fee, commission or other consideration in connection with such transactions. The PreTSL III PreTS[sm] have an initial aggregate Principal Balance of U.S.$466,450,000 (the "**PreTSL III PreTS[sm]**") and were issued on or about July 31, 2001, at which time they were purchased by PreTSL III, a special purpose securitization issuer. One of the Placement Agents, FTN Financial Capital Markets, a division of First Tennessee Bank National Association, acquired the PreTSL III PreTS[sm] on August 7, 2006 in connection with the optional redemption of the securities issued by PreTSL III with the intention of selling them to the Issuer. The SMS were or will be purchased by the Placement Agents or one or more of their affiliates in the secondary market with the intention of selling them to the Issuer and will be sold to the Issuer. In addition to PreTSL III PreTS[sm], 31 PreTS[sm] having an initial aggregate Principal Balance of U.S.$343,550,000, five Subordinated Debentures having an initial aggregate Principal Balance of U.S.$46,000,000, one I-PreTS[sm] having an initial aggregate Principal Balance of U.S.$30,000,000 and two R-PreTS[sm] having an initial aggregate Principal Balance of U.S.$50,000,000 were issued prior to the Closing Date with the intention on the part of the Placement Agents of including such PreTS[sm], Subordinated Debentures, I-PreTS[sm], and R-PreTS[sm], in a securitization vehicle and will be purchased by the Issuer from the Placement Agents or their affiliates.

A Placement Agent or any of its affiliates may, but is not obliged to, advise the Issuer or any Corresponding Debenture Issuer in respect of restructuring, redeeming or working out any of such Corresponding Debenture Issuer's debt obligations, including without limitation its Corresponding Debentures. A Placement Agent or any of its affiliates may provide similar services to the Subordinated Debenture Issuers, the I-DS Issuers, the Surplus Note Issuers and their respective affiliates in respect of their securities (including without limitation their Capital Securities).

LISTING AND GENERAL INFORMATION

1. Application has been made to list the Class A-X Notes, the Senior Notes and the Mezzanine Notes on the Irish Stock Exchange ("**ISE**") by the Issuer, through the Listing Agent, Arthur Cox Listing Services Limited ("**ACLSL**"). ACLSL is not seeking admission to listing on the ISE for the purposes of Directive 2003/71/EC. There can be no assurance that such listing will be granted.

2. For so long as the Class A-X Notes, the Senior Notes or the Mezzanine Notes are Outstanding, physical or electronic copies of the Offering Circular, the Indenture, the Hedge Agreements, the Collateral Administration Agreement, the Administration Agreement, each Placement Agreement and the Paying Agency Agreement for Ireland (such agreements collectively, the "**Material Contracts**"), the Articles of Association of the Issuer and the Certificate of Incorporation and By-Laws of the Co-Issuer will be available for inspection and will be obtainable at the offices of Custom House Administration & Corporate Services Ltd., the Irish Paying Agent, in Dublin, Ireland and the registered office of the Issuer, and copies thereof may be obtained upon request.

3. Copies of the Articles of Association of the Issuer, the Certificate of Incorporation and By-laws of the Co-Issuer, the Administration Agreement, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Notes, the consent of the sole director of the Co-Issuer authorizing the issuance of the Class A-X Notes, the Senior Notes and Mezzanine Notes and the Indenture will be available for inspection in physical form during the terms of the Class A-X Notes, Senior Notes and Mezzanine Notes at the office of the Trustee.

4. The Co-Issuers have been formed as special purpose vehicles or entities for the purposes of issuing asset backed securities.

5. Each of the Co-Issuers represents as to itself that it currently is not and, in any of the previous 12 months, it has not been involved in any legal, arbitration or governmental proceedings relating to claims in amounts which may have or have had a significant effect on the Co-Issuers, nor, so far as each of the Co-Issuers is aware, is any such legal, arbitration or governmental proceeding involving it pending or threatened.

6. The issuance of the Notes will be authorized by the Board of Directors of the Issuer by resolutions passed on or about the Closing Date. The issuance of the Class A-X Notes, Senior Notes and Mezzanine Notes has been authorized by the consent of the sole director of the Co-Issuer dated September 14, 2006. Since the date of incorporation, neither the Issuer nor the Co-Issuer has commenced operations and no accounts have been made up as of the date of this Offering Circular.

7. The Issuer is not required by Cayman Islands law, and the Issuer does not intend, to publish annual reports and accounts. The Co-Issuer is not required by Delaware law, and the Co-Issuer does not intend, to publish annual reports and accounts. The Indenture, however, requires the Issuer to provide the Trustee with written confirmation, on an annual basis, that to the best of its knowledge following review of the activities of the prior year no Event of Default or Default or other matter required to be brought to the Trustee's attention has occurred or, if one has occurred, specifying the same.

8. The initial expense for listing the Class A-X Notes, the Senior Notes and the Mezzanine Notes on the ISE will be €7,190 in total. In addition, there will be a fee of €1,500, payable annually, in respect of the listing of the Class A-X Notes, the Senior Notes and the Mezzanine Notes on the ISE for as long as such Notes are listed thereon.

9. The table below lists the CUSIP Numbers (CUSIP) and the International Securities Identification Numbers (ISIN) for the Notes:

	Rule 144A		Temporary Regulation S and Regulation S		Certificated Notes	
	CUSIP	**ISIN**	**CUSIP**	**ISIN**	**CUSIP**	**ISIN**
Class A-X Notes	74043AAB7	US74043AAB70	G7223AAA4	USG7223AAA46	N/A	N/A
Class A-FP Senior Notes	74043AAC5	US74043AAC53	G7223AAB2	USG7223AAB29	N/A	N/A
Class A-1 Senior Notes	74043AAD3	US74043AAD37	G7223AAC0	USG7223AAC02	N/A	N/A
Class A-2 Senior Notes	74043AAE1	US74043AAE10	G7223AAD8	USG7223AAD84	N/A	N/A
Class B-FP Mezzanine Notes	74043AAG6	US74043AAG67	G7223AAE6	USG7223AAE67	74043AAF8	US74043AAF84
Class B-1 Mezzanine Notes	74043AAJ0	US74043AAJ07	G7223AAF3	USG7223AAF33	74043AAH4	US74043AAH41
Class B-2 Mezzanine Notes	74043AAL5	US74043AAL52	G7223AAG1	USG7223AAG16	74043AAK7	US74043AAK79
Class C-FP Mezzanine Notes	74043AAN1	US74043AAN19	G7223AAH9	USG7223AAH98	74043AAM3	US74043AAM36
Class C-1 Mezzanine Notes	74043AAQ4	US74043AAQ40	G7223AAJ5	USG7223AAJ54	74043AAP6	US74043AAP66
Class C-2 Mezzanine Notes	74043AAS0	US74043AAS06	G7223AAK2	USG7223AAK28	74043AAR2	US74043AAR23
Class D-FP Mezzanine Notes	74043AAU5	US74043AAU51	G7223AAL0	USG7223AAL01	74043AAT8	US74043AAT88
Class D -1 Mezzanine Notes	74043AAW1	US74043AAW18	G7223AAM8	USG7223AAM83	74043AAV3	US74043AAV35
Income Notes	N/A	N/A	G7223BAA2	USG7223BAA29	74043BAA7	US74043BAA70

CERTAIN LEGAL MATTERS

The validity of the Notes and certain other legal matters will be passed upon for the Issuer, the Co-Issuer and the Placement Agents by Sidley Austin LLP, New York, New York. Certain legal matters relating to Cayman Islands law will be passed upon for the Issuer by Maples and Calder, Grand Cayman, Cayman Islands.

ANNEX A

GLOSSARY OF CERTAIN DEFINED TERMS

Set forth below are definitions of certain defined terms used and not defined elsewhere in this Offering Circular.

"*Additional Junior Indebtedness*": (x) With respect to an Affiliated Depository Institution HC of a PreTS[sm] Issuer, without duplication and other than the Corresponding Debentures, any indebtedness, liabilities or obligations of the Affiliated Depository Institution HC, or any Subsidiary (as defined in the Affiliated Depository Institution HC Indenture) of the Affiliated Depository Institution HC, under debt securities (or guarantees in respect of debt securities) initially issued after the date of the related Affiliated Depository Institution HC Indenture to any trust, or a trustee of a trust, partnership or other entity affiliated with the Affiliated Depository Institution HC 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 Affiliated Depository Institution HC or any Subsidiary (as defined in the Affiliated Depository Institution HC Indenture) of the Affiliated Depository Institution HC in connection with the issuance by that entity of preferred securities or other securities that are eligible to qualify for Tier 1 Capital treatment (or its then equivalent) for purposes of the capital adequacy guidelines of the Federal Reserve, as then in effect and applicable to the Affiliated Depository Institution HC (or, if the Affiliated Depository Institution HC is not a bank holding company, such guidelines applied to the Affiliated Depository Institution HC as if the Affiliated Depository Institution HC were subject to such guidelines); *provided*, *however*, that the inability of the Affiliated Depository Institution HC to treat all or any portion of the Additional Junior Indebtedness as Tier 1 Capital shall not disqualify it as Additional Junior Indebtedness if such inability results from the Affiliated Depository Institution HC having cumulative preferred stock, minority interests in consolidated subsidiaries, or any other class of security or interest which the Federal Reserve or the Office of Thrift Supervision, as applicable, now or may hereafter accord Tier 1 Capital treatment (including the Corresponding Debentures) in excess of the amount which may qualify for treatment as Tier 1 Capital under applicable capital adequacy guidelines.

(y) With respect to an Affiliated Insurance HC of an I-PreTS[sm] Issuer, without duplication and other than the related Corresponding Debentures, (a) any indebtedness, liabilities or obligations of the Affiliated Insurance HC, or any Subsidiary (as defined in the related Affiliated Insurance HC Indenture) of the Affiliated Insurance HC, under debt securities (or guarantees in respect of debt securities) initially issued after the date of the related Affiliated Insurance HC Indenture to any trust, or a trustee of a trust, partnership or other entity affiliated with the Affiliated Insurance HC 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 Affiliated Insurance HC, or any Subsidiary (as defined in the related Affiliated Insurance HC Indenture) of the Affiliated Insurance HC in connection with the issuance by that entity of preferred securities, (b) other securities that are issued either junior and subordinate to or on a *pari passu* basis with the related Corresponding Debentures or (c) any guarantees of the Affiliated Insurance HC in respect of the equity or other securities of any entity referred to in clause (a).

"*Adjusted Collateral Principal Amount*" means, as of any date of determination, the sum of:

(x) the Aggregate Principal Amount of the Capital Securities (other than any Defaulted Securities and any R-PreTS[sm]); and

(y) the amount obtained by summing, with respect to each R-PreTS[sm] that is not a Defaulted Security, the product of its Principal Balance and the related R-PreTS[sm] Multiplier.

"*Administrative Expenses*": Amounts due from or accrued for the account of the Co-Issuers with respect to any Payment Date to (i) the Trustee for Trustee Expenses; (ii) the Independent accountants, agents and counsel of the Co-Issuers for fees and expenses; (iii) any Rating Agency for fees and expenses in connection with the rating or surveillance of the Senior Notes and, if applicable, the Mezzanine Notes; (iv) the Administrator pursuant to the Administration Agreement, dated on or about the Closing Date, between the

Administrator and the Issuer in respect of certain services provided to the Issuer; (v) any other Person in respect of any governmental fee, charge or tax; and (vi) any other Person in respect of any other fees, expenses or indemnities permitted under the Indenture and the documents delivered pursuant to or in connection with the Indenture and the Notes (including, without limitation, the fees, expenses and indemnities under the Collateral Administration Agreement, the Irish Exchange Fee and the costs of any auction or attempted auction of the Capital Securities, but excluding any amounts payable under the Hedge Agreements); *provided*, *however*, that Administrative Expenses shall not include any amounts due or accrued with respect to the actions taken on or prior to the Closing Date in excess of U.S.$50,000 in the aggregate.

"*Affiliate*": With respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of this definition, the management of an account by one Person for the benefit of any other Person shall not constitute "control" of such other Person and no entity shall be deemed an Affiliate of the Issuer or the Co-Issuer solely because the Administrator or its Affiliates serve as administrator and/or share trustee for such entity.

"*Affiliated HC Indenture*": With respect to each Corresponding Debenture, the indenture between the related Affiliated HC and the Debenture Trustee under which such Corresponding Debenture was issued.

"*Aggregate Class A Balance*": With respect to any date of determination, the sum of the Aggregate Principal Amount of the Senior Notes and the Amortizing Nominal Balance of the Class A-X Notes.

"*Aggregate Fees and Expenses*": With respect to any Payment Date, the sum of (a) the Trustee Fee with respect to such Payment Date and any Trustee Fee with respect to a previous Payment Date that was not paid on a previous Payment Date, (b) the Trustee Expenses with respect to such Payment Date and any Trustee Expenses with respect to a previous Payment Date that were not paid on a previous Payment Date and (c) all expenses of the Issuer and the Co-Issuer (including Administrative Expenses) payable on such Payment Date in accordance with clause (a)(i) of the Priority of Payments (to the extent not included in (a) and (b) above).

"*Aggregate Principal Amount*": With respect to any date of determination, (a) when used with respect to any Pledged Securities, the aggregate Principal Balance of such Pledged Securities on such date of determination; (b) when used with respect to any class of Notes, as of such date of determination, the original principal amount of such class reduced by all prior payments, if any, made with respect to principal of such class (in the case of Income Notes, payments made out of Principal Collections) and, in the case of the Class B Mezzanine Notes, increased by any Class B Mezzanine Note Capitalized Interest allocated to the Class B-FP Mezzanine Notes, the Class B-1 Mezzanine Notes and/or Class B-2 Mezzanine Notes, as applicable, and, in the case of the Class C Mezzanine Notes, increased by any Class C Mezzanine Note Capitalized Interest allocated to the Class C-FP Mezzanine Notes, the Class C-1 Mezzanine Notes and/or the Class C-2 Mezzanine Notes, as applicable, and in the case of the Class D Mezzanine Notes, increased by Class D Mezzanine Note Capitalized Interest allocated to the Class D-FP Mezzanine Notes and/or the Class D-1 Mezzanine Notes, as applicable; and (c) when used with respect to the Notes, the sum of the Aggregate Principal Amount of each class of Senior Notes, the Aggregate Principal Amount of each class of Class B Mezzanine Notes, the Aggregate Principal Amount of each class of Class C Mezzanine Notes, the Aggregate Principal Amount of each class of the Class D Mezzanine Notes and the Aggregate Principal Amount of the Income Notes. Payments of Class B Mezzanine Note Capitalized Interest, Class C Mezzanine Note Capitalized Interest and Class D Mezzanine Note Capitalized Interest shall be payments of principal of the applicable Mezzanine Notes. The Aggregate Principal Amount of the Senior Notes is the sum of the Aggregate Principal Amount of the Class A-FP Senior Notes, the Aggregate Principal Amount of the Class A-1 Senior Notes and the Aggregate Principal Amount of the Class A-2 Senior Notes. The Aggregate Principal Amount of the Class B Mezzanine Notes is the sum of the Aggregate Principal Amount of the Class B-FP Mezzanine Notes, the Aggregate Principal Amount of the Class B-1 Mezzanine Notes and the Aggregate Principal Amount of the Class B-2 Mezzanine Notes. The Aggregate Principal Amount of the Class C Mezzanine Notes is the sum of

the Aggregate Principal Amount of the Class C-FP Mezzanine Notes, the Aggregate Principal Amount of the Class C-1 Mezzanine Notes and the Aggregate Principal Amount of the Class C-2 Mezzanine Notes. The Aggregate Principal Amount of the Class D Mezzanine Notes is the sum of the Aggregate Principal Amount of the Class D-FP Mezzanine Notes and the Aggregate Principal Amount of the Class D-1 Mezzanine Notes.

"*Applicable Regulator*": Each applicable regulatory authority of a Capital Securities Issuer or its Affiliated HC, including (a) with respect to any Affiliated Depository Institution HC or two Subordinated Debenture Issuers, the Board of Governors of the Federal Reserve System and any successor federal agency that is primarily responsible for regulating the activities of bank holding companies or member banks or the Office of Thrift Supervision and any successor federal agency that is primarily responsible for regulating the activities of savings and loan holding companies, as applicable, (b) with respect to two Subordinated Debenture Issuers, the FDIC, (c) with respect to two Subordinated Debenture Issuers, the Office of the Comptroller of the Currency, (d) with respect to any Affiliated Insurance HC, I-DS Issuer or Surplus Note Issuer, the related state insurance regulatory authority and any successor regulatory authority and (e) with respect to any I-DS Issuer, the related state or national insurance regulatory authority and any successor regulatory authority, in each case, as applicable.

"*Available Funds*": With respect to any Payment Date, the amount of any positive balance in the Collection Account as of the Calculation Date relating to such Payment Date plus the net amount, if any, expected to be received by the Issuer under the Hedge Agreements in respect of such Payment Date and, with respect to any other date, such amount as of that date.

"*Business Day*": Any day that is not a Saturday, Sunday or other day on which commercial banking institutions in New York, New York, or the city in which the corporate trust office of the Trustee (or, the related Institutional Trustee, in the case of the PreTS[sm], or the related Debenture Trustee, in the case of the Subordinated Debentures or the Corresponding Debentures held by the PreTS[sm] Issuers or the Surplus Note Trustee, in the case of the Surplus Notes) is located, are authorized or obligated by law or executive order to be closed. With respect to any act required of the Issuer, Business Day shall be construed to include a reference in the preceding sentence to the Cayman Islands, and with respect to any act required of the Paying Agent in Ireland (or any act to be performed through the Paying Agent in Ireland), Business Day shall be construed to include a reference in the preceding sentence to Dublin, Ireland.

"*Calculation Date*": With respect to any Payment Date, the earlier of (i) the first Business Day following the last day of the Due Period for such Payment Date and (ii) such Payment Date. Unless otherwise specified, if a Calculation Date occurs on a Payment Date, all calculations required to be made as of such Calculation Date will be made prior to giving effect to any distribution of funds on such date.

"*Capital Securities Fixed Rate Period*": With respect to any Fixed/Floating Capital Security, the period from the date of issuance of the related Fixed/Floating Capital Security through, but excluding, the Capital Security Payment Date occurring in the month in which the fifth anniversary of the issuance of such Fixed/Floating Capital Security occurs; provided, however, that the Capital Securities Fixed Rate Period of one Fixed/Floating PreTS[sm] with a Principal Balance of U.S.$15,000,000, one Fixed/Floating Rate Subordinated Debenture with a Principal Balance of U.S.$15,000,000 and one R-PreTS[sm] with a Principal Balance of U.S.$25,000,000, will be the period from the date of issuance of such Fixed/Floating PreTS[sm] through, but excluding, the Collateral Securities Payment Date occurring in the month in which the tenth anniversary of the issuance of such Fixed/Floating Capital PreTS[sm] occurs.

"*Capital Security Payment Date*": (i) With respect to each D-Capital Security, the payment date set forth in Annex D-1 or Annex D-2 hereto (or if such date is not a Business Day, the next succeeding Business Day), as applicable, (ii) with respect to each I-Capital Security, the payment date set forth in Annex E hereto (or if such date is not a Business Day, the next succeeding Business Day), as applicable and (iii) with respect to each R-PreTS[sm], the payment date set forth in Annex F hereto (or if such date is not a Business Day, the next succeeding Business Day), as applicable.

"*Class A-1 Senior Note Interest Amount*": With respect to each Payment Date, the aggregate amount of interest accrued at the Class A-1 Senior Note Rate during the related Interest Accrual Period on the Aggregate Principal Amount of the Class A-1 Senior Notes as of the first day of such Interest Accrual Period (after giving effect to any payment of principal on the Class A-1 Senior Notes on such first day, if applicable).

"*Class A-2 Senior Note Interest Amount*": With respect to each Payment Date, the aggregate amount of interest accrued at the Class A-2 Senior Note Rate during the related Interest Accrual Period on the Aggregate Principal Amount of the Class A-2 Senior Notes as of the first day of such Interest Accrual Period (after giving effect to any payment of principal on the Class A-2 Senior Notes on such first day, if applicable).

"*Class A-FP Senior Note Interest Amount*": With respect to each Payment Date, the aggregate amount of interest accrued at the Class A-FP Senior Note Rate during the related Interest Accrual Period on the Aggregate Principal Amount of the Class A-FP Senior Notes as of the first day of such Interest Accrual Period (after giving effect to any payment of principal on the Class A-FP Senior Notes on such first day, if applicable).

"*Class A-X Calculation Amount*": With respect to any date of determination, an amount equal to (A) the Aggregate Principal Amount of the PreTSL III PreTS[sm] as of the Closing Date minus (B) the Aggregate Principal Amount of any PreTSL III PreTS[sm] (or portion thereof) that have been redeemed on or prior to such date of determination.

"*Class A-X Note Interest Amount*": With respect to each Payment Date, the aggregate amount of interest accrued at the Class A-X Note Rate during the related Interest Accrual Period on the Amortizing Nominal Balance of the Class A-X Notes.

"*Class B-1 Mezzanine Note Interest Amount*": With respect to each Payment Date, the aggregate amount of interest accrued at the Class B-1 Mezzanine Note Rate during the related Interest Accrual Period on the Aggregate Principal Amount of the Class B Mezzanine Notes as of the first day of such Interest Accrual Period (after giving effect to any payment of principal on the Class B-1 Mezzanine Notes on such first day, if applicable).

"*Class B-2 Mezzanine Note Interest Amount*": With respect to any Payment Date, the aggregate amount of interest accrued at the Class B-2 Mezzanine Note Fixed Rate or, following the Five-Year Fixed Rate Period, the Class B-2 Mezzanine Note Floating Rate, during the related Five-Year Fixed Rate Interest Accrual Period or the related Interest Accrual Period, as applicable, on the Aggregate Principal Amount of the Class B-2 Mezzanine Notes as of the first day of such Five-Year Fixed Rate Interest Accrual Period or Interest Accrual Period, as applicable (after giving effect to any payment of principal on the Class B-2 Mezzanine Notes on or about such first day, if applicable).

"*Class B-FP Mezzanine Note Interest Amount*": With respect to each Payment Date, the aggregate amount of interest accrued at the Class B-FP Mezzanine Note Rate during the related Interest Accrual Period on the Aggregate Principal Amount of the Class B-FP Mezzanine Notes as of the first day of such Interest Accrual Period (after giving effect to any payment of principal on the Class B-FP Mezzanine Notes on such first day, if applicable).

"*Class C-1 Mezzanine Note Interest Amount*": With respect to each Payment Date, the aggregate amount of interest accrued at the Class C-1 Mezzanine Note Rate during the related Interest Accrual Period on the Aggregate Principal Amount of the Class C-1 Mezzanine Notes as of the first day of such Interest Accrual Period (after giving effect to any payment of principal on the Class C-1 Mezzanine Notes on such first day, if applicable).

"*Class C-2 Mezzanine Note Interest Amount*": With respect to any Payment Date, the aggregate amount of interest accrued at the Class C-2 Mezzanine Note Fixed Rate or, following the Five-Year Fixed Rate Period, the Class C-2 Mezzanine Note Floating Rate, during the related Five-Year Fixed Rate Interest Accrual Period or the related Interest Accrual Period, as applicable, on the Aggregate Principal Amount of the Class C-2 Mezzanine Notes as of the first day of such Five-Year Fixed Rate Interest Accrual Period or Interest Accrual Period, as applicable (after giving effect to any payment of principal on the Class C-2 Mezzanine Notes on or about such first day, if applicable).

"*Class C-FP Mezzanine Note Interest Amount*": With respect to each Payment Date, the aggregate amount of interest accrued at the Class C-FP Mezzanine Note Rate during the related Interest Accrual Period on the Aggregate Principal Amount of the Class C-FP Mezzanine Notes as of the first day of such Interest Accrual Period (after giving effect to any payment of principal on the Class C-FP Mezzanine Notes on such first day, if applicable).

"*Class D-1 Mezzanine Note Interest Amount*": With respect to each Payment Date, the aggregate amount of interest accrued at the Class D-1 Mezzanine Note Rate during the related Interest Accrual Period on the Aggregate Principal Amount of the Class D-1 Mezzanine Notes as of the first day of such Interest Accrual Period (after giving effect to any payment of principal on the Class D-1 Mezzanine Notes on such first day, if applicable).

"*Class D-FP Mezzanine Note Interest Amount*": With respect to each Payment Date, the aggregate amount of interest accrued at the Class D-FP Mezzanine Note Rate during the related Interest Accrual Period on the Aggregate Principal Amount of the Class D-FP Mezzanine Notes as of the first day of such Interest Accrual Period (after giving effect to any payment of principal on the Class D-FP Mezzanine Notes on such first day, if applicable).

"*Collateral Accounts*": The Collection Account, the Note Payment Account and the Reserve Account.

"*Collateral Administration Agreement*": The agreement dated as of the Closing Date between the Issuer and The Bank of New York, in its capacity as collateral administrator.

"*Collateral Reduction Amount*" means, as of any Payment Date, an amount equal to the greater of (i) zero and (ii) (A) the amount calculated as (x) the Aggregate Principal Amount of the Capital Securities in the Trust Estate as of the Closing Date (for the avoidance of doubt, including all Capital Securities owned by the Issuer on the Closing Date, any Replacement Capital Securities, any Delayed Settlement Capital Securities acquired by the Issuer after the Closing Date and any Failed Settlement Capital Securities acquired by the Issuer after the Closing Date) less (y) the Aggregate Principal Amount of the Capital Securities (other than Defaulted Securities) in the Trust Estate as of the related Calculation Date (after giving effect to any Principal Collections in respect of such Capital Securities on or before such date) minus (B) the amount calculated as (x) the sum of the Aggregate Principal Amount of the Senior Notes and the Aggregate Principal Amount of the Mezzanine Notes, in each case, as of the Closing Date less (y) the sum of the Aggregate Principal Amount of the Senior Notes and the Aggregate Principal Amount of the Mezzanine Notes, in each case, as of such Calculation Date (after giving effect to any payments made under clauses (iii), (v), (vii), (ix) and (x) of clause (a) of the Priority of Payments on such Payment Date and the application, if any, of any proceeds of the Notes to redeem Notes as described under "Use of Proceeds" and after giving effect to the application of Principal Collections to the payment of principal of the Notes on such Payment Date).

"*Collection Account*": The collection account established by the Trustee with The Bank of New York pursuant to the Indenture for use in connection with the collection and disbursement of Collections.

"*Collections*": With respect to any Payment Date, the sum of the Interest Collections and Principal Collections collected during the related Due Period; with respect to any other time, Interest Collections and Principal Collections as specified.

"*Company Announcement Office*": The company announcement office in Ireland.

"*Corporate Trust Office*": The principal corporate trust office of the Trustee currently located at 101 Barclay Street, 8th Floor East, New York, New York 10286, Attention: Corporate Trust Administration, CDO Unit, telephone: (212) 815-2458 or (212) 815-2459, telefax: (212) 815-5705 or (212) 815-3115, or at such other address as the Trustee may designate from time to time by notice to the Noteholders and the Issuer or the principal corporate trust office of any successor Trustee.

"*Coverage Prepayments*": Collectively, the Senior Coverage Prepayments, the Class B Mezzanine Coverage Prepayments, the Class C Mezzanine Coverage Prepayments and the Class D Mezzanine Coverage Prepayments.

"*Coverage Tests*": Collectively, the Senior Coverage Test, the Class B Mezzanine Coverage Test, the Class C Mezzanine Coverage Test and the Class D Mezzanine Coverage Test.

"*Default Allocation Percentage*" Means, (i) with respect to the Class A-X Notes, the percentage obtained by dividing (x) the Amortizing Nominal Balance of the Class A-X Notes by (y) the sum of the Amortizing Nominal Balance of the Class A-X Notes and the Aggregate Principal Amount of the Senior Notes; (ii) with respect to the Class A-FP Senior Notes, the percentage obtained by dividing (x) the Aggregate Principal Amount of the Class A-FP Senior Notes by (y) the sum of the Amortizing Nominal Balance of the Class A-X Notes and the Aggregate Principal Amount of the Senior Notes and (iii) with respect to the Class A-1 Notes, the percentage obtained by dividing (x) the Aggregate Principal Amount of the Class A-1 Senior Notes and the Class A-2 Senior Notes by (y) the sum of the Amortizing Nominal Balance of the Class A-X Notes and the Aggregate Principal Amount of the Senior Notes.

"*Defaulted Security*": Any (a) Pledged Security in the Trust Estate with respect to which there has occurred and is continuing (x) any default or event of default under the related Underlying Instrument or any other obligation of the issuer of such Pledged Security ranking *pari passu* or senior to the Underlying Instrument which entitles the holders of such Pledged Security, 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 or (y) any default in the payment of principal or interest when due (after giving effect to the cure period, if any) under the Underlying Instrument whether or not such default is an event of default in the Underlying Instrument (but any such security covered by this clause (a) shall be considered a "Defaulted Security" only until such time as the default or event of default has been cured or waived), (b) PreTS^{sm}, Trust Preferred D-SMS, I-PreTS^{sm} or I-SMS with respect to which any Deferred Interest (or deferred interest in the case of the I-SMS) remains outstanding (whether during or after the applicable Extension Period) or (c) Capital Security with respect to which a DS Avoidance Event has occurred; *provided*, *however*, that no Capital Security shall be a "Defaulted Security" (i) once any default or event of default under an instrument ranking *pari passu* or senior to such Capital Security or its Corresponding Debenture, if applicable, or any DS Avoidance Event has been cured or waived, (ii) if any proposal giving rise to a DS Avoidance Event is withdrawn, or (iii) if any exchange of any instrument other than a Capital Security or its Corresponding Debenture, if applicable, giving rise to a DS Avoidance Event is effected thereunder and the Trustee receives an opinion from an independent investment bank (including Keefe, Bruyette & Woods, Inc. and FTN Financial Capital Markets, a division of First Tennessee Bank National Association) opining that the related Capital Securities Issuer or its Corresponding Debenture Issuer, if applicable, or both, as applicable, is not in default with respect to all other instruments ranking *pari passu* or senior to the Capital Security or its Corresponding Debenture, if applicable, and not in default under the instrument received in the exchange. Fees and expenses of any firm so retained shall be Administrative Expenses payable in accordance with the Priority of Payments. Without limiting the generality of the term "independent", as used in clause (iii) of this definition, an "independent investment bank" shall mean an investment bank which, among other things, does not own any Notes. For purposes of this definition, a Surplus Note and the Surplus Note I-SMS will be considered to be in default if the related Surplus Note Issuer or Surplus Note I-SMS Issuer, as applicable, fails to make a scheduled payment of principal of or interest on the related Surplus Note or Surplus Note I-SMS and such failure continues for at least 30 days, even though any such failure may not constitute an event of default under the related Surplus Note Indenture or the

Underlying Instrument in respect of the Surplus Note I-SMS with the giving of notice or the passage of time or both.

"*Designated I-DS Withholding Tax Condition*": With respect to any payment in respect of the Designated I-DS, (a) to, or to a third party on behalf of, a holder who would reasonably be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or by claiming relief under any relevant double taxation treaty or similar claim for exemption but fails or has failed to do so; (b) where a holder is liable to the Withholding Taxes in respect of the Designated I-DS by reason of his having some connection with the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, other than the mere holding of the Designated I-DS; (c) where a claim for payment is made more than 30 days after the date on which the payment first becomes due; and except to the extent that a holder would have been entitled to additional amounts on claiming for payment on the last day of the period of 30 days assuming that day to have been a business day; or (d) where a payment on the Designated I-DS is reduced as a result of any Withholding Taxes that are required to be paid pursuant to the European Union Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, any such directive.

"*Distributions*": Any of the amounts paid at any time with respect to the Capital Securities.

"*DS Avoidance Event*": With respect to any Capital Security, any (i) bankruptcy, insolvency or receivership proceeding has been initiated with respect to the related Capital Security Issuer or the related Corresponding Debenture Issuer, if applicable, or (ii) proposed or effected distressed exchange or other debt restructuring in which the related Capital Security Issuer or the related Corresponding Debenture Issuer, if applicable, has offered the holder of such Capital Security, the related Corresponding Debenture or any debt ranking *pari passu* or senior to such security a new security or package of securities that, in the reasonable judgment of the Rating Agencies, has the purpose of helping such Capital Security Issuer or the related Corresponding Debenture Issuer to avoid default thereunder.

"*Due Period*": With respect to any Payment Date, the period beginning on the day following the last day of the immediately preceding Due Period (or, in the case of the Due Period that is applicable to the first Payment Date, beginning on the Closing Date) and ending at the close of business on the Business Day following the 20th day of the month in which such Payment Date occurs.

"*Eligible Investments*": Any U.S. dollar denominated investment that is one or more of the following obligations or securities:

(a) direct registered obligations of, and registered obligations fully 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, any depository institution or trust company (including the Trustee) incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by federal and/or state banking authorities so long as the commercial paper and/or other 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 the contractual commitment providing for such investment have a credit rating of "Aa2" or better (and are not on watch for downgrade) by Moody's, a credit rating of "AA" or better by S&P and a credit rating of "AA" or better by Fitch, in the case of debt obligations other than commercial paper, or a short-term credit rating of "P-1" and a long-term credit rating of "A1" or better (and are not on watch for downgrade) by Moody's, a short-term credit rating of "A-1+" and a long-term credit rating of "A+" or better by S&P and a short-term credit rating of "F1" and a long-term credit rating of "AA+" or better by Fitch, in the case of commercial paper;

(c) registered securities bearing interest or sold at a discount issued by any United States corporation under the laws of the United States of America or any state thereof that have a credit rating of "Aa2" or better (and are not on watch for downgrade) by Moody's, a credit rating of "A-1+ (or AAA)" or better by S&P and a credit rating of "AA" or better by Fitch at the time of such investment or the contractual commitment providing for such investment;

(d) 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) above or entered into with a corporation (acting as principal) whose short term debt has a credit rating of "P 1" (and is not on watch for downgrade) by Moody's, "A 1+" by S&P and "F1+" by Fitch 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 "Aa2" or better (and is not on watch for downgrade) by Moody's, "AA" or better by S&P and "AA-" by Fitch 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 having at the time of such investment a short-term credit rating of "P-1" (and which is not on watch for downgrade) by Moody's and a long-term credit rating of "A1" or better (and which is not on watch for downgrade) by Moody's, a short-term credit rating of "A-1" or better and a long- term credit rating of "A+" or better by S&P and a credit rating of "F1+" or better by Fitch and that has a maturity of not more than 183 days from its date of issuance; *provided*, *however*, 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 Moody's, S&P and Fitch, must have at the time of such investment a long-term credit rating of "Aa2" or better (and not be on watch for downgrade) by Moody's, "AA" or better by S&P and "AA" or better 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 money market credit rating of not less than "Aaa" (and are not on watch for downgrade) by Moody's and "AAAm" or "AAAm-g" by S&P; and

(g) any other investment in respect of which Moody's, S&P and Fitch have confirmed in writing to the Trustee that such investment may be included as an Eligible Investment without it reducing or withdrawing its then current rating of the Senior Notes or the Mezzanine Notes;

provided, *however*, that Eligible Investments purchased with funds deposited in the Collateral Accounts during any Due Period 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 related Payment Date, unless such Eligible Investments are issued by the Trustee in its capacity as a banking institution, in which event such Eligible Investments may mature on such Payment Date; and *provided*, *further*, that none of the foregoing obligations or securities shall constitute Eligible Investments if all, or substantially all, of the remaining amounts payable thereunder shall consist of interest and not principal payments. Eligible Investments may include Eligible Investments for which the Trustee or an Affiliate of the Trustee provides services; *provided*, *further*, that an Eligible Investment shall not be "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System.

"*First Call Date*": With respect to each Capital Security, the first date upon which the related issuer may call such Capital Security in connection with an optional redemption. Such dates are set forth in Annex D-1, Annex D-2, Annex E and Annex F hereto.

"*Fixed/Floating Capital Securities*": Collectively, the Capital Securities listed in Annex D-1, E or F hereto with a "fixed/floating" rate type.

"*FP Multiplier*": As of any date of determination, the amount obtained by dividing (x) the Aggregate Principal Amount of the FP Notes by (y) (i) if the Aggregate Principal Amount of the Class A-FP Senior Notes is greater than zero, the Aggregate Principal Amount of the Senior Notes and the Mezzanine Notes; (ii) if the Aggregate Principal Amount of the Class A-FP Senior Notes is zero and the Aggregate Principal Amount of the Class B-FP Mezzanine Notes is greater than zero, the Aggregate Principal Amount of the Mezzanine Notes; (iii) if the Aggregate Principal Amount of the Class A-FP Senior Notes and the Class B-FP Mezzanine Notes is zero and the Aggregate Principal Amount of the Class C-FP Mezzanine Notes is greater than zero, the Aggregate Principal Amount of the Class C Mezzanine Notes and the Class D Mezzanine Notes; or (iv) if the Aggregate Principal Amount of the Class A-FP Senior Notes, the Class B-FP Mezzanine Notes and the Class C-FP Mezzanine Notes is zero and the Aggregate Principal Amount of the Class D-FP Mezzanine Notes is greater than zero, the Aggregate Principal Amount of the Class D Mezzanine Notes.

"*Hedge Agreements*": Collectively, the Fixed/Floating Swaps, the Timing Swap and the Interest Rate Cap.

"*Hedge Payment Amounts":* With respect to any Payment Date, the fixed payments or floating payments, as applicable, that the Issuer is obligated to make under the Hedge Agreements.

"*Hedge Receipt Amounts":* With respect to any Payment Date, the fixed payments or floating payments, as applicable, that the Hedge Providers are obligated to make to the Issuer under the Hedge Agreements.

"*Holder*" or "*Noteholder*": With respect to any Note, the Person in whose name such Note is registered in the Note Register.

"*Interest Collections*": With respect to any Calculation Date, the sum of (i) all payments of interest with respect to all of the Capital Securities in the Trust Estate (including any receipts of accrued interest or dividends, as well as any payments, other than principal, received pursuant to a consent or similar solicitation but excluding, in the case of one Capital Security, accrued and unpaid interest thereon as of the Closing Date), and amounts specified in the Indenture to be Interest Collections, which are received during the related Due Period, (ii) the aggregate net investment earnings, if any, in the Collection Account which is received during the related Due Period, (iii) (a) any Hedge Receipt Amounts and any termination payment (to the extent not used to enter into a replacement hedge agreement) and (b) any Cap Interest Differential Amount received, in each case, by the Issuer from a Hedge Provider in connection with the Payment Date following such Calculation Date, (iv) any premiums paid in connection with the redemption or prepayment of any PreTSL III PreTS^{sm} or any I-SMS and (v) all amendment and waiver fees, all late payment fees, all commitment fees and all other fees and commissions received during the related Due Period (other than fees and commissions received in connection with the purchase of Capital Securities).

"*I-PreTS^{sm} Maturity Date*": With respect to each I-PreTS^{sm}, the maturity date of the related Corresponding Debentures, as set forth in Annex E hereto.

"*Liquidation Amount*": With respect to a PreTS^{sm}, a Trust Preferred D-SMS, an I-PreTS^{sm} or a R-PreTS^{sm}, the aggregate stated liquidation amount of such PreTS^{sm}, Trust Preferred D-SMS, I-PreTS^{sm} or R-PreTS^{sm}, as the case may be, and with respect to a Subordinated Debenture, a Surplus Note or any I-SMS, its principal amount.

"*London Banking Day*": A business day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

"*Mezzanine Note Rate*": The Class B-FP Mezzanine Note Rate, the Class B-1 Mezzanine Note Rate, the Class B-2 Mezzanine Note Rate, the Class C-FP Mezzanine Note Rate, the Class C-1 Mezzanine Note Rate, the Class C-2 Mezzanine Note Rate, the Class D-FP Mezzanine Note Rate, or the Class D-1 Mezzanine Note Rate, as applicable.

"*Note Payment Account*": The payment account established by the Trustee with The Bank of New York pursuant to the Indenture for use in connection with payments on the Notes.

"*Note Register*": Any note register described in the Indenture.

"*Note Valuation Report*": The meaning specified in the Indenture.

"*Outstanding*": With respect to the Notes, as of the date of determination, "Outstanding" refers to all Notes theretofore authenticated and delivered under the Indenture except: (i) Notes theretofore cancelled by a Note Registrar or delivered to a Note Registrar for cancellation; (ii) Notes or portions thereof the payment or redemption for which money in the necessary amount has been theretofore irrevocably deposited with the Trustee or any paying agent in trust for the Holders of such Notes; *provided* that, if such Notes or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made, (iii) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee is presented that any such Notes are held by a holder in due course or protected purchaser; and (iv) mutilated Notes and Notes alleged to have been destroyed, lost or stolen for which replacement Notes have been issued as provided in the Indenture; *provided* that, in determining whether the Holders of the requisite Aggregate Principal Amount of Notes or the requisite Amortizing Nominal Balance of the Class A-X Notes have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture or as provided therein, Notes owned by or pledged to the Issuer (in the case of all the Notes) or the Co-Issuer (in the case of the Senior Notes or the Mezzanine Notes) or any other obligor upon the Notes or any Affiliate of the Issuer or the Co-Issuer, as applicable, or of such other obligor, and (in the case of any supplemental indenture that affects any provisions that affect the Trustee) Notes owned by or pledged to the Person acting as Trustee under the Indenture, shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in conclusively relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that a Responsible Officer of the Trustee actually knows to be so owned or pledged shall be so disregarded.

"*Paying Agent in Ireland*": Custom House Administration & Corporate Services Ltd. in Dublin, Ireland, or any successor thereto, as paying agent in Ireland with respect to the Class A-X Notes, Senior Notes and Mezzanine Notes.

"*Person*": Any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof.

"*Placement Agreement*": The agreement among the Issuer, the Co-Issuer and a Placement Agent, with respect to the placement of the Notes.

"*Pledged Securities*": With respect to any date of determination and the Trust Estate, the Capital Securities, the Reserve Account Strip and any Eligible Investments.

"*Policy Claims*": All claims referred to in applicable laws governing the related Surplus Notes that are senior to and would be paid prior to its Surplus Note in the event of rehabilitation, liquidation, conservation, dissolution, reorganization or receivership of such Surplus Note Issuer (which such claims may include claims of policyholders, beneficiaries and insureds arising from and within the coverage of, and not in excess of the applicable limits of, any and all policies, endorsements, riders and other contracts of insurance issued, assumed or renewed by the Surplus Note Issuer and all claims of applicable insurer insolvency funds, insurance guaranty associations, or any similar organizations).

"*Principal Balance*": With respect to any Eligible Investment, as of any date of determination, the outstanding principal amount of such Eligible Investment and with respect to any Capital Security as of any date of determination, the outstanding Liquidation Amount of such Capital Security.

"*Principal Collections*": With respect to any Calculation Date, all payments representing all or a portion of the Liquidation Amount of all of the Capital Securities, including any premium paid allocable thereto in connection with the prepayment or redemption of any Capital Securities (other than any premium paid in connection with the prepayment or redemption of any PreTSL III PreTS[sm] or any I-SMS), in the Trust Estate (for the avoidance of doubt, including, without limitation, principal recoveries and prepayments of the Liquidation Amount and redemption payments on the Capital Securities) which are received during the related Due Period. In addition, with respect to the Calculation Date prior to the September 2016 Payment Date, Principal Collections shall include the single payment due on the Reserve Account Strip on its maturity date to be deposited in the Collection Account.

"*Rating Agency*": Moody's, S&P or Fitch and "*Rating Agencies*" shall mean one or more such entities. If no such organization or successor is any longer in existence, "*Rating Agency*" shall be a nationally recognized statistical rating organization or other comparable Person designated by the Issuer, written notice of which designation shall be given to the Trustee.

"*Redemption Date*": The date fixed for the redemption or prepayment of Capital Securities by the related Capital Securities Issuer which, if applicable, is concurrent with the date fixed for the redemption or prepayment of the related Corresponding Debentures by the related Corresponding Debenture Issuer.

"*Redemption Price*": An Optional Redemption Price or a Special Redemption Price.

"*Requisite Noteholders*": For so long as any Senior Notes or Class A-X Notes remain Outstanding, the Holders of Senior Notes and Class A-X Notes evidencing more than 66⅔% of the Aggregate Class A Balance; thereafter, for so long as any Class B Mezzanine Notes remain Outstanding, the Holders of more than 66⅔% of the Aggregate Principal Amount of the Class B Mezzanine Notes; thereafter, for so long as any Class C Mezzanine Notes remain Outstanding, the Holders of more than 66⅔% of the Aggregate Principal Amount of the Class C Mezzanine Notes; thereafter, for so long as any Class D Mezzanine Notes remain Outstanding, the Holders of more than 66⅔% of the Aggregate Principal Amount of the Class D Mezzanine Notes; and thereafter the Holders of more than 66⅔% of the Aggregate Principal Amount of the Income Notes.

"*Reserve Account*": The reserve account established by the Trustee with The Bank of New York pursuant to the Indenture in which the Reserve Account Strip and other funds, including the Reserve Account Deposit, together with any earnings thereon will be held.

"*Responsible Officer*": With respect to the Trustee, any officer in the Corporate Trust Office of the Trustee, including any Vice President, Assistant Vice President, Assistant Treasurer or any other officer of the Trustee customarily performing functions similar to those performed by the above-designated officers and with direct responsibility for the administration of the Indenture and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"*R-PreTS[sm] Multiplier*": Means:

(i) if the related REIT Corresponding Debenture Issuer or its ultimate parent holding company is publicly rated "B3" or above by Moody's, 100%;

(ii) if the related REIT Corresponding Debenture Issuer or its ultimate parent holding company is publicly rated "Caa1" or below by Moody's, (x) 25% if such REIT Corresponding Debenture Issuer or its ultimate parent holding company has been rated "Caa1" or below for eight or fewer consecutive Calculation Dates, and (y) zero if such REIT Corresponding Debenture Issuer or its ultimate parent holding company has been rated "Caa1" or below for nine or more consecutive Calculation Dates;

(iii) if the related REIT Corresponding Debenture Issuer or its ultimate parent holding company is not publicly rated by Moody's, the percentage specified below with respect to each R-PreTS[sm]:

	Relevant R-PreTS[sm]	R-PreTS[sm] Multiplier
a)	If the R-PreTS[sm] is not described within clause (b) or (c) below:	100%
b)	If any two of the following are true in respect of the related REIT Corresponding Debenture Issuer, as indicated by a certificate delivered by such REIT Corresponding Debenture Issuer to the Trustee: (x) it has a net worth of less than U.S.$75 million; (y) its interest coverage ratio is less than 1.35; or (z) its ratio of total debt to total capital is greater than 95%	80%
c)	Any two of the following are true in respect of the related REIT Corresponding Debenture Issuer, as indicated by a certificate delivered by such REIT Corresponding Debenture Issuer to the Trustee: (x) it has not paid a common dividend for two consecutive quarters; (y) it has a fixed charge coverage ratio of 1.00 or less; or (z) it has been in breach of a monetary covenant under its Corresponding Debenture Indenture for 30 days	50%

If both clause (b) and clause (c) above are applicable, then the R-PreTS[sm] Multiplier will be determined in accordance with clause (c).

"*Senior Allocation Percentage*": Means, (i) with respect to the Class A-FP Senior Notes, the percentage obtained by dividing (x) the Aggregate Principal Amount of the Class A-FP Senior Notes by (y) the Aggregate Principal Amount of the Senior Notes and (ii) with respect to the Class A-1 Notes, the percentage obtained by dividing (x) the Aggregate Principal Amount of the Class A-1 Senior Notes and the Class A-2 Senior Notes by (y) the Aggregate Principal Amount of the Senior Notes.

"*Senior Indebtedness*": (A) With respect to the PreTS[sm] Issuers and the Holding Company Subordinated Debenture Issuer, (i) the principal, premium, if any, and interest in respect of (a) indebtedness of the Affiliated Depository Institution HC or Subordinated Debenture Issuer for all borrowed and purchased money and (b) indebtedness evidenced by securities, debentures, notes, bonds or other similar instruments issued by the Affiliated Depository Institution HC or Subordinated Debenture Issuer; (ii) all capital lease obligations of the Affiliated Depository Institution HC or Subordinated Debenture Issuer; (iii) all obligations of the Affiliated Depository Institution HC or Subordinated Debenture Issuer issued or assumed as the deferred purchase price of property, all conditional sale obligations of the Affiliated Depository Institution HC or Subordinated Debenture Issuer and all obligations of the Affiliated Depository Institution HC or Subordinated Debenture Issuer under any title retention agreement; (iv) all obligations of the Affiliated Depository Institution HC or Subordinated Debenture Issuer 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 Affiliated Depository Institution HC or Subordinated Debenture Issuer associated with derivative products such as interest and foreign exchange rate contracts, commodity contracts, and similar arrangements; (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons for

the payment of which the Affiliated Depository Institution HC or Subordinated Debenture Issuer is responsible or liable as obligor, guarantor or otherwise including, without limitation, similar obligations arising from off-balance sheet guarantees and direct credit substitutes; and (vii) all obligations of the type referred to in clauses (i) through (vi) above of other persons secured by any lien on any property or asset of the Affiliated Depository Institution HC or Subordinated Debenture Issuer (whether or not such obligation is assumed by the Affiliated Depository Institution HC or Subordinated Debenture Issuer), whether incurred on or prior to the date of any Affiliated Depository Institution HC or Subordinated Debenture Issuer Indenture or thereafter incurred. Notwithstanding the foregoing, "Senior Indebtedness" shall not include (1) any Additional Junior Indebtedness, (2) Corresponding Debentures issued pursuant to the Affiliated Depository Institution HC or Subordinated Debenture Issuer Indenture and guarantees in respect of such Corresponding Debentures, (3) trade accounts payable of the Affiliated Depository Institution HC or Subordinated Debenture Issuer arising in the ordinary course of business (such trade accounts payable being *pari passu* in right of payment to the Corresponding Debentures), or (4) obligations with respect to which (a) in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are *pari passu*, junior or otherwise not superior in right of payment to the Corresponding Debentures and (b) the Affiliated Depository Institution HC or Subordinated Debenture Issuer, prior to the issuance thereof, has notified (and, if then required under the applicable guidelines of the applicable regulating entity, has received approval from) the Federal Reserve (if the Affiliated Depository Institution HC or Subordinated Debenture Issuer is a bank holding company) or the Office of Thrift Supervision (if the Affiliated Depository Institution HC or Subordinated Debenture Issuer is a savings and loan holding company or a savings and loan association or federal savings bank). 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.

(B) With respect to the Unmodified PreTSL III PreTS[sm] Issuers, (i) the principal, premium, if any, and interest in respect of (a) indebtedness of the Affiliated Depository Institution HC for money borrowed (b) indebtedness evidenced by securities, debentures, notes, bonds or other similar instruments issued by the Affiliated Depository Institution HC; (ii) all capital lease obligations of the Affiliated Depository Institution HC; (iii) all obligations of the Affiliated Depository Institution HC issued or assumed as the deferred purchase price of property, all conditional sale obligations of the Affiliated Depository Institution HC and all obligations of the Affiliated Depository Institution HC under any title retention agreement; (iv) all obligations of the Affiliated Depository Institution HC 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 the Affiliated Depository Institution HC is responsible or liable as obligor, guarantor or otherwise including, without limitation, similar obligations arising from off-balance sheet guarantees and direct credit substitutes; 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 the Affiliated Depository Institution HC (whether or not such obligation is assumed by the Affiliated Depository Institution HC), whether incurred on or prior to the date of any Affiliated Depository Institution HC Indenture or thereafter incurred. Notwithstanding the foregoing, "Senior Indebtedness" shall not include (1) any Additional Junior Indebtedness, (2) Corresponding Debentures issued pursuant to the Affiliated Depository Institution HC Indenture and guarantees in respect of such Corresponding Debentures, (3) trade accounts payable of the Affiliated Depository Institution HC arising in the ordinary course of business (such trade accounts payable being pari passu in right of payment to the Corresponding Debentures), or (4) obligations with respect to which (a) in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are pari passu, junior or otherwise not superior in right of payment to the Corresponding Debentures and (b) the Affiliated Depository Institution HC, prior to the issuance thereof, has notified (and, if then required under the applicable guidelines of the applicable regulating entity, has received approval from) the Federal Reserve (if the Affiliated Depository Institution HC is a bank holding company) or the Office of Thrift Supervision (if the Affiliated Depository Institution HC is a savings and loan holding company or a savings and loan association or federal savings bank). 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.

(C) With respect to five of the Subordinated Debenture Issuers, all claims of depositors of the Subordinated Debenture Issuer and all claims (including post default interest in the case of liquidation of the Subordinated Debenture Issuer) against the Subordinated Debenture Issuer, incurred, assumed or guaranteed by the Subordinated Debenture Issuer, having the same priority as the Subordinated Debenture Issuer's obligations to its depositors, its obligations under bankers' acceptances and letters of credit, and its obligations to any other creditors (including its obligations to the Federal Reserve, FDIC, and any rights acquired by the FDIC as a result of loans made by the FDIC to the Subordinated Debenture Issuer or the purchase or guarantee of any of its assets by the FDIC pursuant to the provisions of 12 USC §1823(c), (d) or (e)), whether now outstanding or hereafter incurred, or any higher priority, and the principal, premium, if any, and interest in respect thereof, whether incurred on or prior to the date of the related Subordinated Indenture or thereafter incurred. Notwithstanding the foregoing, "Senior Indebtedness" shall not include Subordinated Debentures issued pursuant to the related Subordinated Debenture Indenture or obligations with respect to which in the instrument creating or evidencing the same, or pursuant to which the same is outstanding, it is provided that such obligations are pari passu, junior or otherwise not superior in right of payment to the Subordinated 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.

(D) With respect to five of the Trust Preferred D-SMS Issuers, (i) the principal, premium, if any, and interest in respect of (A) indebtedness of the Affiliated Depository Institution HC for money borrowed, as well as similar obligations arising from off-balance sheet guarantees and direct credit substitutes and (B) indebtedness evidenced by securities, debentures, notes, bonds or other similar instruments issued by the Affiliated Depository Institution HC, (ii) all capital lease obligations of the Affiliated Depository Institution HC, (iii) all obligations of the Affiliated Depository Institution HC issued or assumed as the deferred purchase price of property, all conditional sale obligations of the Affiliated Depository Institution HC and all obligations of the Affiliated Depository Institution HC under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business), (iv) all obligations of the Affiliated Depository Institution HC for the reimbursement of any letter of credit, any banker's acceptance, any security purchase facility, any repurchase agreement or similar arrangement, all obligations associated with derivative products such as interest rate and foreign exchange contracts and commodity contracts, 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 the Affiliated Depository Institution HC 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 the Affiliated Depository Institution HC (whether or not such obligation is assumed by the Affiliated Depository Institution HC), whether the obligations of the type referred to in clauses (i) through (vi) above were incurred on or prior to the date of this Indenture or thereafter incurred, unless, with the prior approval of the Federal Reserve if not otherwise generally approved, 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 Trust Preferred D-SMS; *provided*, *however*, that Senior Indebtedness shall not include (A) any debt securities issued to any trust other than the Trust Preferred D-SMS Issuer (or a trustee of such trust) that is a financing vehicle of the Affiliated Depository Institution HC (a "financing entity") in connection with the issuance by such financing entity of equity or other securities in transactions substantially similar in structure to the transactions contemplated hereunder and in the declaration, (B) any guarantees of the Affiliated Depository Institution HC in respect of the equity or other securities of any financing entity referred to in clause (A) above or (C) any other instruments allowed as subordinated securities for purposes of the Trust Preferred D-SMS by the OTS from time to time hereafter.

(E) With respect to two Trust Preferred D-SMS Issuers, the principal of and any premium and interest on (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Affiliated Depository Institution HC, whether or not such claim for post-petition interest is allowed in such proceeding) all debt of the Affiliated Depository Institution HC, whether incurred on or prior

to the date of the Affiliated Depository Institution HC 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 in right of payment to the Securities; *provided, however,* that if the Affiliated Depository Institution HC is subject to the regulation and supervision of an "appropriate Federal banking agency" within the meaning of 12 U.S.C. 1813(q), the Affiliated Depository Institution HC shall have received the approval of such appropriate Federal banking agency prior to issuing any such obligation if not otherwise generally approved; *provided further,* that Senior Indebtedness shall not include any other debt securities, and guarantees in respect of such debt securities, issued to any trust other than the PreTS[SM] Issuer (or a trustee of such trust), partnership or other entity affiliated with the Affiliated Depository Institution HC that is a financing vehicle of the Affiliated Depository Institution HC (a "financing entity"), in connection with the issuance by such financing entity of equity securities or other securities that are treated as equity capital for regulatory capital purposes guaranteed by the Affiliated Depository Institution HC pursuant to an instrument that ranks *pari passu* with or junior in right of payment to the Affiliated Depository Institution HC Indenture.

(F) With respect to the R-PreTS[sm] Issuers, (i) the principal, premium, if any, and interest in respect of (a) indebtedness of the REIT Corresponding Debenture Issuer for all borrowed and purchased money and (b) indebtedness evidenced by securities, debentures, notes, bonds or other similar instruments issued by the REIT Corresponding Debenture Issuer; (ii) all capital lease obligations of the REIT Corresponding Debenture Issuer; (iii) all obligations of the REIT Corresponding Debenture Issuer issued or assumed as the deferred purchase price of property, all conditional sale obligations of the REIT Corresponding Debenture Issuer and all obligations of the REIT Corresponding Debenture Issuer under any title retention agreement; (iv) all obligations of the REIT Corresponding Debenture Issuer 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 REIT Corresponding Debenture Issuer associated with derivative products such as interest and foreign exchange rate contracts, commodity contracts, and similar arrangements; (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons for the payment of which the REIT Corresponding Debenture Issuer is responsible or liable as obligor, guarantor or otherwise including, without limitation, similar obligations arising from off-balance sheet guarantees and direct credit substitutes; and (vii) all obligations of the type referred to in clauses (i) through (vi) above of other persons secured by any lien on any property or asset of the REIT Corresponding Debenture Issuer (whether or not such obligation is assumed by the REIT Corresponding Debenture Issuer), whether incurred on or prior to the date of any REIT Corresponding Debenture Indenture or thereafter incurred. Notwithstanding the foregoing, "Senior Indebtedness" shall not include (1) Corresponding Debentures issued pursuant to the REIT Corresponding Debenture Indenture and guarantees in respect of such Corresponding Debentures, (2) obligations with respect to which in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are *pari passu*, junior or otherwise not superior in right of payment to the Corresponding Debentures, (3) trade amounts payable or other accrued liabilities arising in the ordinary course of business, or (4) obligations issued to any trust other than the R-PreTS[sm] Issuer (or a trustee of any such trust) in connection with the issuance by such trust of trust preferred securities and the issuance of debentures by the REIT Corresponding Debenture Issuer or any of its subsidiaries pursuant to an instrument that, by its terms, rank *pari passu* with or junior in right of payment to REIT Corresponding Debenture Indenture. 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.

(G) With respect to the Affiliated Insurance HCs of the I-PreTS[sm] Issuers, (i) the principal, premium, if any, and interest in respect of (a) indebtedness of the Affiliated Insurance HC for money borrowed and (b) indebtedness evidenced by securities, debentures, notes, bonds or other similar instruments issued by the Affiliated Insurance HC; (ii) all capital lease obligations of the Affiliated Insurance HC; (iii) all obligations of the Affiliated Insurance HC issued or assumed as the deferred purchase price of property, all conditional sale obligations of the Affiliated Insurance HC and all obligations of the Affiliated Insurance HC under any title retention agreement; (iv) all obligations of the Affiliated Insurance HC 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 the Affiliated Insurance HC 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 the Affiliated Insurance HC (whether or not such obligation is assumed by the Affiliated Insurance HC), whether incurred on or prior to the date of the related Affiliated Insurance HC Indenture or thereafter incurred. Notwithstanding the foregoing, "Senior Indebtedness" shall not include (1) any Additional Junior Indebtedness, (2) Corresponding Debentures issued pursuant to the related Affiliated Insurance HC Indenture and guarantees in respect of such Corresponding Debentures, (3) trade accounts payable of the Affiliated Insurance HC arising in the ordinary course of business (such trade accounts payable being *pari passu* in right of payment to the Corresponding Debentures), or (4) obligations with respect to which (a) in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are *pari passu*, junior or otherwise not superior in right of payment to the Corresponding Debentures and (b) the Affiliated Insurance HC, prior to the issuance thereof, has, if required, notified the relevant state insurance regulatory agency. 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.

(H) With respect to the Surplus Note Issuers, (i) the principal, premium, if any, and interest in respect of (A) indebtedness of the Surplus Note Issuer for money borrowed and (B) indebtedness evidenced by securities, debentures, notes, bonds or other similar instruments issued by the Surplus Note Issuer; (ii) all capital lease obligations of the Surplus Note Issuer; (iii) all obligations of the Surplus Note Issuer issued or assumed as the deferred purchase price of property, all conditional sale obligations of the Surplus Note Issuer and all obligations of the Surplus Note Issuer under any title retention agreement; (iv) all obligations of the Surplus Note Issuer for the reimbursement of any letter of credit, any banker's acceptance, any security purchase facility, any repurchase agreement or similar agreement, 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 the Surplus Note Issuer 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 the Surplus Note Issuer (whether or not such obligation is assumed by the Surplus Note Issuer), whether incurred on or prior to the date of the related Surplus Note Indenture or thereafter incurred. Notwithstanding the foregoing, "Senior Indebtedness" shall not include (1) Surplus Note issued pursuant to the related Surplus Note Indenture and guarantees in respect of the Surplus Note or (2) obligations with respect to which (a) in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are *pari passu*, junior or otherwise not superior in right of payment to the Surplus Note and (b) the Surplus Note Issuer, prior to the issuance thereof, has, if required, notified its Applicable Regulator. 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.

"*Surplus Note Maturity Date*": With respect to each Surplus Note, the related maturity date set forth in Annex E hereto.

"*Swap Counterparty*": Each Hedge Provider in respect of a Fixed/Floating Swap.

"*Trust Estate*": All money, instruments and other property and rights subject to (or intended to be subject to) the lien and security interest of the Indenture for the benefit of the Noteholders, the Trustee itself and the Hedge Providers (in each case pursuant to the Indenture), including, without limitation, the Capital Securities, the Eligible Investments, the benefit of the Guarantees, the Issuer's interest in the Hedge Agreements, the Reserve Account Strip, the Collateral Accounts and all other property and interests granted to the Trustee, including all proceeds thereof; *excluding*, *however*, the proceeds from the Issuer's issuance of its Ordinary Shares, any bank account of the Issuer in which such proceeds are held, the amount of any transaction fees paid to the Issuer in connection with the issuance of the Notes and all rights, remedies, powers,

privileges and claims of the Issuer under or with respect to the administration agreement between the Issuer and the Administrator.

"*Trustee Expenses*": With respect to any Payment Date, the reasonable out-of-pocket expenses incurred by the Trustee (including the reasonable fees and expenses of its counsel and agents) during the related Due Period in carrying out provisions of the Indenture and the Collateral Administration Agreement.

"*Trustee Fee*": With respect to any Payment Date (including without limitation the Final Maturity Date), a trustee fee in an aggregate amount equal to one quarter of 0.02% multiplied by the sum of (i) the Aggregate Principal Amount of the Capital Securities and (ii) Eligible Investments and any cash in the Collection Account representing Principal Collections in the Trust Estate as of the first day of the related Due Period.

"*Underlying Instrument*": The trust agreement, indenture or other agreement pursuant to which a Pledged 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 of which the holders of such Pledged Security are the beneficiaries.

"*U.S. Person*": As defined in Regulation S under the Securities Act.

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ANNEX B

INDEX OF CERTAIN DEFINED TERMS

ANNEX C
SCHEDULE FOR ACCRETED VALUE OF RESERVE ACCOUNT STRIP

Payment Date In:	Accreted Value ($):
12/22/2006	2,438,461.28
3/22/2007	2,469,643.10
6/22/2007	2,501,223.67
9/22/2007	2,533,208.06
12/22/2007	2,565,601.46
3/22/2008	2,598,409.09
6/22/2008	2,631,636.25
9/22/2008	2,665,288.29
12/22/2008	2,699,370.67
3/22/2009	2,733,888.87
6/22/2009	2,768,848.47
9/22/2009	2,804,255.12
12/22/2009	2,840,114.54
3/22/2010	2,876,432.50
6/22/2010	2,913,214.88
9/22/2010	2,950,467.62
12/22/2010	2,988,196.72
3/22/2011	3,026,408.29
6/22/2011	3,065,108.48
9/22/2011	3,104,303.56
12/22/2011	3,143,999.84
3/22/2012	3,184,203.74
6/22/2012	3,224,921.74
9/22/2012	3,266,160.43
12/22/2012	3,307,926.46
3/22/2013	3,350,226.57
6/22/2013	3,393,067.59
9/22/2013	3,436,456.44
12/22/2013	3,480,400.13
3/22/2014	3,524,905.74
6/22/2014	3,569,980.48
9/22/2014	3,615,631.60
12/22/2014	3,661,866.49
3/22/2015	3,708,692.61
6/22/2015	3,756,117.52
9/22/2015	3,804,148.87
12/22/2015	3,852,794.42
3/22/2016	3,902,062.03
6/22/2016	3,951,959.65
9/22/2016	4,000,000.00

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ANNEX D-1

SCHEDULE OF CERTAIN D-CAPITAL SECURITIES TERMS (OTHER THAN THE PreTSL III PreTS[SM])

Capital Securities Number	Capital Securities Type	Rate Type	Aggregate Principal Balance (U.S. $ millions)	Maturity Date	Capital Security Payment Dates[1]	First Capital Security Payment Date	First Call Date	Margin	Applicable Fixed Rate
1	PreTS	Floating	2,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.700%	NA
2	PreTS	Floating	2,500,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.800%	NA
3	PreTS	Floating	3,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.650%	NA
4	PreTS	Floating	4,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.700%	NA
5	PreTS	Floating	4,500,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.700%	NA
6	PreTS	Floating	4,500,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.600%	NA
7	PreTS	Floating	5,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.730%	NA
8	PreTS	Floating	5,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.870%	NA
9	PreTS	Floating	5,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.700%	NA
10	PreTS	Floating	5,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.800%	NA
11	PreTS	Floating	5,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.650%	NA
12	PreTS	Floating	7,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.870%	NA
13	PreTS	Floating	8,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.700%	NA
14	PreTS	Floating	10,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.600%	NA
15	PreTS	Floating	15,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.750%	NA
16	PreTS	Floating	18,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.630%	NA
17	PreTS	Floating	15,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.400%	NA
18	PreTS	Floating	6,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.690%	NA
19	PreTS	Floating	5,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.820%	NA
20	PreTS	Floating	5,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.750%	NA
21	PreTS	Floating	4,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.600%	NA
22	PreTS	Floating	4,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.800%	NA
23	PreTS	Floating	10,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.450%	NA
24	PreTS	Floating	20,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.500%	NA
25	PreTS	Floating	6,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.730%	NA
26	PreTS	Floating	15,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.390%	NA
27	PreTS	Floating	19,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.700%	NA
28	PreTS	Floating	3,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.730%	NA
29	PreTS	Floating	25,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.588%	NA
30	PreTS	Floating	4,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.550%	NA
31	PreTS	Floating	15,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.525%	NA
32	PreTS	Floating	10,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.600%	NA

Capital Securities Number	Capital Securities Type	Rate Type	Aggregate Principal Balance (U.S. $ millions)	Maturity Date	Capital Security Payment Dates[1]	First Capital Security Payment Date	First Call Date	Margin	Applicable Fixed Rate
33	PreTS	Floating	10,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.400%	NA
34	PreTS	Floating	6,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.700%	NA
35	PreTS	Fixed/Floating	6,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.650%	7.040%
36	PreTS	Fixed/Floating	2,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.850%	7.030%
37	PreTS	Fixed/Floating	10,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.780%	6.960%
38	PreTS	Fixed/Floating	6,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.650%	6.830%
39	PreTS	Fixed/Floating	3,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.770%	6.950%
40	PreTS	Fixed/Floating	2,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.720%	6.900%
41	PreTS	Fixed/Floating	10,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.650%	6.830%
42	PreTS	Fixed/Floating	4,800,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.820%	7.000%
43	PreTS	Fixed/Floating	2,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.600%	6.780%
44	PreTS	Fixed/Floating	6,500,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.710%	6.890%
45	PreTS	Fixed/Floating	6,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.750%	6.930%
46	PreTS	Fixed/Floating	6,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.750%	6.930%
47	PreTS	Fixed/Floating	2,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.870%	7.360%
48	PreTS	Fixed/Floating	2,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.800%	7.330%
49	PreTS	Fixed/Floating	21,500,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.650%	7.170%
50	PreTS	Fixed/Floating	30,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.550%	6.940%
51	PreTS	Fixed/Floating	15,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.570%	7.235%
52	PreTS	Fixed/Floating	2,600,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.730%	7.220%
53	PreTS	Fixed/Floating	20,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.380%	6.485%
54	PreTS	Fixed/Floating	15,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2016	1.700%	7.350%
55	PreTS	Fixed/Floating	15,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.330%	6.392%
56	PreTS	Hybrid [2]	5,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.700%	6.880%
57	PreTS	Hybrid [3]	15,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.600%	6.990%
58	PreTS	Hybrid [4]	8,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.700%	7.190%
59	PreTS	Hybrid [5]	6,450,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.750%	7.470%
60	Subordinate Debenture	Fixed/Floating	15,000,000	9/15/2021	March 15, June 15, September 15, December 15	12/15/2006	9/15/2016	1.680%	7.030%
61	Subordinate Debenture	Fixed/Floating	15,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.600%	6.780%
62	Subordinate Debenture	Fixed/Floating	6,000,000	9/15/2021	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.650%	7.170%
63	Subordinate Debenture	Floating	15,000,000	9/15/2016	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.750%	NA
64	Subordinate Debenture	Floating	2,000,000	6/15/2016	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.750%	NA

Capital Securities Number	Capital Securities Type	Rate Type	Aggregate Principal Balance (U.S. $ millions)	Maturity Date	Capital Security Payment Dates[1]	First Capital Security Payment Date	First Call Date	Margin	Applicable Fixed Rate
65	Subordinate Debenture	Floating	8,000,000	6/15/2021	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	1.650%	NA
66	Trust Preferred D-SMS	Floating	5,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.630%	NA
67	Trust Preferred D-SMS	Floating	10,000,000	10/7/2036	January 7, April 7, July 7, October 7	1/7/2007	10/7/2011	1.690%	NA
68	Trust Preferred D-SMS	Floating	25,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	1.850%	NA
69	Trust Preferred D-SMS	Floating	10,000,000	6/1/2036	March 1, June 1, September 1, December 1	12/1/2006	6/1/2011	1.600%	NA
70	Trust Preferred D-SMS	Floating	25,000,000	6/30/2036	March 31, June 30, September 30, December 31	9/30/2006	6/30/2011	1.750%	NA
71	Trust Preferred D-SMS	Floating	12,000,000	7/7/2036	January 7, April 7, July 7, October 7	10/7/2006	7/7/2011	1.750%	NA
72	Trust Preferred D-SMS	Floating	7,500,000	9/30/2036	March 31, June 30, September 30, December 31	9/30/2006	9/30/2011	1.720%	NA
			662,850,000						

1. If such date is not a Business Day, then the next succeeding Business Day.
2. During the Capital Securities Fixed Rate Period with respect to such PreTS, interest will accrue i) on $2,500,000 at the indicated Applicable Fixed Rate, and ii) on $2,500,000 at a floating rate based upon the indicated Margin.
3. During the Capital Securities Fixed Rate Period with respect to such PreTS, interest will accrue i) on $7,500,000 at the indicated Applicable Fixed Rate, and ii) on $7,500,000 at a floating rate based upon the indicated Margin.
4. During the Capital Securities Fixed Rate Period with respect to such PreTS, interest will accrue i) on $4,000,000 at the indicated Applicable Fixed Rate, and ii) on $4,000,000 at a floating rate based upon the indicated Margin.
5. During the Capital Securities Fixed Rate Period with respect to such PreTS, interest will accrue i) on $3,000,000 at the indicated Applicable Fixed Rate, and ii) on $3,450,000 at a floating rate based upon the indicated Margin.

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ANNEX D-2

SCHEDULE OF CERTAIN PreTSL III PreTS[SM] TERMS

Capital Securities Number	Capital Securities Type	Rate Type	Aggregate Principal Balance (U.S. $ millions)	Maturity Date	Capital Security Payment Dates[1]	First Capital Security Payment Date	First Call Date	Margin	Maximum Cap Rate
1	PreTS	Floating	4,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2011	3.300%	12.50%
2	PreTS	Floating	3,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2011	3.300%	12.50%
3	PreTS	Floating	6,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2011	3.300%	12.50%
4	PreTS	Floating	3,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2011	3.300%	12.50%
5	PreTS	Floating	12,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2011	3.300%	12.50%
6	PreTS	Floating	4,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2011	3.300%	12.50%
7	PreTS	Floating	4,500,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2011	3.300%	12.50%
8	PreTS	Floating	5,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2011	3.300%	12.50%
9	PreTS	Floating	5,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2011	3.300%	12.50%
10	PreTS	Floating	6,500,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2011	3.300%	12.50%
11	PreTS	Floating	8,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2011	3.300%	12.50%
12	PreTS	Floating	17,500,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2011	3.300%	12.50%
13	PreTS	Floating	5,500,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2011	3.300%	12.50%
14	PreTS	Floating	3,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
15	PreTS	Floating	24,450,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
16	PreTS	Floating	15,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
17	PreTS	Floating	20,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
18	PreTS	Floating	10,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
19	PreTS	Floating	15,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
20	PreTS	Floating	5,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
21	PreTS	Floating	20,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
22	PreTS	Floating	15,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
23	PreTS	Floating	15,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
24	PreTS	Floating	4,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
25	PreTS	Floating	5,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
26	PreTS	Floating	15,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
27	PreTS	Floating	5,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
28	PreTS	Floating	20,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
29	PreTS	Floating	7,500,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
30	PreTS	Floating	12,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%

Capital Securities Number	Capital Securities Type	Rate Type	Aggregate Principal Balance (U.S. $ millions)	Maturity Date	Capital Security Payment Dates[1]	First Capital Security Payment Date	First Call Date	Margin	Maximum Cap Rate
31	PreTS	Floating	9,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
32	PreTS	Floating	15,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
33	PreTS	Floating	8,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
34	PreTS	Floating	5,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
35	PreTS	Floating	6,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
36	PreTS	Floating	3,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
37	PreTS	Floating	3,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
38	PreTS	Floating	7,500,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
39	PreTS	Floating	4,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
40	PreTS	Floating	10,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
41	PreTS	Floating	8,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
42	PreTS	Floating	15,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
43	PreTS	Floating	22,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
44	PreTS	Floating	8,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
45	PreTS	Floating	7,500,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
46	PreTS	Floating	22,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
47	PreTS	Floating	7,500,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
48	PreTS	Floating	5,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
49	PreTS	Floating	6,000,000	7/31/2031	January 31, April 30, July 31, October 31	10/31/2006	7/31/2006	3.580%	12.50%
			466,450,000						

1. If such date is not a Business Day, then the next succeeding Business Day.

ANNEX E

SCHEDULE OF CERTAIN I-CAPITAL SECURITIES TERMS

Capital Securities Number	Capital Securities Type	Rate Type	Aggregate Principal Balance (U.S. $ millions)	Maturity Date	Capital Security Payment Dates[1]	First Capital Security Payment Date	First Call Date	Margin	Applicable Fixed Rate
1	I-PreTS	Fixed/Floating	30,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	3.30%	8.83%
2	I-PreTS	Fixed/Floating	20,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	12/15/2011	3.50%	TBD
3	Senior Notes	Fixed/Floating	5,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	3.90%	9.1175%
4	Subordinate Notes	Floating	40,000,000	9/21/2036	March 15, June 15, September 15, December 15	12/15/2006	12/15/2011	3.10%	NA
5	Subordinate Notes	Floating	35,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	12/15/2011	3.10%	NA
6	Surplus Notes	Fixed/Floating	5,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	3.87%	9.10%
7	Surplus Notes	Fixed/Floating	40,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2012	2.50%	TBD
8	I-SMS	Floating	10,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	3.40%	NA
9	I-SMS	Floating	20,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	3.54%	NA
10	I-SMS	Floating	11,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	3.10%	NA
11	I-SMS	Fixed/Floating	36,700,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	3.55%	9.07%
12	I-SMS	Fixed	20,000,000	11/1/2013	May 1, November 1	11/1/2006	make whole[2]	NA	7.65%
			272,700,000						

1. If such date is not a Business Day, then the next succeeding Business Day.
2. Callable at any time upon payment of a "make whole" amount described under "Description of the I-Capital Securities Documents—*Redemption and Prepayment of the I-Capital Securities*".

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ANNEX F

SCHEDULE OF CERTAIN R-PreTS[sm] TERMS

Capital Securities Number	Capital Securities Type	Rate Type	Aggregate Principal Balance (U.S. $ millions)	Maturity Date	Capital Security Payment Dates[1]	First Capital Security Payment Date	First Call Date	Margin	Applicable Fixed Rate
1	R-PreTS	Floating	25,000,000	6/15/2036	March 15, June 15, September 15, December 15	12/15/2006	6/15/2011	3.60%	NA
2	R-PreTS	Floating	15,000,000	12/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2011	3.60%	NA
3	R-PreTS	Fixed/Floating	25,000,000	9/15/2036	March 15, June 15, September 15, December 15	12/15/2006	9/15/2016	3.30%	8.6850%
			65,000,000						

1. If such date is not a Business Day, then the next succeeding Business Day.

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