WEBSTER CDO I, LTD.
WEBSTER CDO I (DELAWARE) CORP.

U.S.$609,000,000 Class A-1LA Revolving Notes Due April 2047
U.S.$158,000,000 Class A-1LB Floating Rate Notes Due April 2047
U.S.$70,000,000 Class A-2L Floating Rate Notes Due April 2047
U.S.$59,000,000 Class A-3L Floating Rate Deferrable Notes Due April 2047
U.S.$10,000,000 Class A-4L Floating Rate Deferrable Notes Due April 2047
U.S.$32,000,000 Class B-1L Floating Rate Deferrable Notes Due April 2047
U.S.$10,000,000 Class B-2L Floating Rate Deferrable Notes Due April 2047
U.S.$9,000,000 Class B-3L Floating Rate Deferrable Notes Due April 2047
U.S. $10,000,000 Class P1 Combination Notes Due April 2047
43,000,000 Preference Shares, Par Value U.S. $0.001 Per Share

VANDERBILT CAPITAL ADVISORS, LLC
Collateral Manager

The Notes, consisting of the Class A-1LA Revolving Notes Due April 2047 (the "**Class A-1LA Revolving Notes**") in the aggregate principal amount of U.S.$609,000,000, the Class A-1LB Floating Rate Notes Due April 2047 (the "**Class A-1LB Notes**") in the aggregate principal amount of U.S.$158,000,000, the Class A-2L Floating Rate Notes Due April 2047 (the "**Class A-2L Notes**") in the aggregate principal amount of U.S.$70,000,000, the Class A-3L Floating Rate Deferrable Notes Due April 2047 (the "**Class A-3L Notes**") in the aggregate principal amount of U.S.$59,000,000, the Class A-4L Floating Rate Deferrable Notes Due April 2047 (the "**Class A-4L Notes**" and, together with the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes and the Class A-3L Notes, the "**Class A Notes**") in the aggregate principal amount of U.S.$10,000,000, the Class B-1L Floating Rate Deferrable Notes Due April 2047 (the "**Class B-1L Notes**") in the aggregate principal amount of U.S.$32,000,000, the Class B-2L Floating Rate Deferrable Notes Due April 2047 (the "**Class B-2L Notes**") in the aggregate principal amount of U.S.$10,000,000 and the Class B-3L Floating Rate Deferrable Notes Due April 2047 (the "**Class B-3L Notes**" and together with the Class B-1L Notes and the Class B-2L Notes, the "**Class B Notes**" and together with the Class A Notes, the "**Notes**") in the aggregate principal amount of U.S.$9,000,000 are being issued by Webster CDO I, Ltd. (the "**Issuer**"), a recently formed exempted company incorporated with limited liability under the laws of the Cayman Islands and (except for the Class B-3L Notes) will be co-issued by Webster CDO I (Delaware) Corp., a recently formed Delaware corporation (the "**Co-Issuer**" and, together with the Issuer, the "**Co-Issuers**"), on a non-recourse basis as described herein.

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It is a condition of issuance that each of the Class A-1LA Revolving Notes and the Class A-1LB Notes be rated "AAA" by Standard & Poor's Ratings Services ("**S&P**") and "Aaa" by Moody's Investors Service, Inc. ("**Moody's**"), the Class A-2L Notes be rated at least "AA" by S&P and at least "Aa2" by Moody's, the Class A-3L Notes be rated at least "A" by S&P and at least "A2" by Moody's, the Class P1 Combination Notes (as defined herein) be rated at least "A2" by Moody's with respect to the Rated Balance (as defined herein) of the Class P1 Combination Notes, the Class A-4L Notes be rated at least "BBB+" by S&P and at least "Baa1" by Moody's, the Class B-1L Notes be rated at least "BBB" by S&P and at least "Baa2" by Moody's, the Class B-2L Notes be rated at least "BBB-" by S&P and at least "Baa3" by Moody's, the Class B-3L Notes be rated at least "BB+" by S&P and at least "Ba1" by Moody's and the Preference Shares (as defined herein) be rated at least "B2" by Moody's. See "Ratings."

Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for the Offering Circular to be approved. Application has been made to the Irish Stock Exchange for the Notes and the Class P1 Combination Notes to be admitted to the Official List and trading on its regulated market. Such approval relates only to the Notes and the Class P1 Combination Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area.

Application has been made to the ISE for the listing particulars to be approved. Application has been made to the Irish Stock Exchange for the Preference Shares to be admitted to listing and trading on its Alternative Securities Market, which is not a regulated market (as defined by Article 1(13) of Directive 93/22/EEC).

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

The Notes are being offered in registered form to "qualified institutional buyers" within the meaning of Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and to certain persons in transactions outside the United States in reliance on Regulation S under the Securities Act, all of whom (other than non-U.S. Persons purchasing in offshore transactions under Regulation S) are also "qualified purchasers" within the meaning of Section 3(c)(7) of the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**").

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT NOR HAS EITHER OF THE CO-ISSUERS OR THE TRUST ESTATE BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT). THE NOTES MAY ALSO BE OFFERED OR SOLD TO CERTAIN PERSONS IN TRANSACTIONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO U.S. PERSONS EXCEPT TO "QUALIFIED PURCHASERS" (WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT) IN A TRANSACTION THAT DOES NOT CAUSE EITHER OF THE CO-ISSUERS TO BE REQUIRED TO REGISTER UNDER THE INVESTMENT COMPANY ACT. FOR CERTAIN RESTRICTIONS ON RESALE SEE "DELIVERY OF THE NOTES; TRANSFER RESTRICTIONS; SETTLEMENT."

The Notes (other than the Class A-1LA Revolving Notes and the Class B-3L Notes) are offered by the Co-Issuers and the Class B-3L Notes are offered by the Issuer through, Greenwich Capital Markets, Inc. (the "**Initial Purchaser**") 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 by the Co-Issuers (or, in the case of the B-3L Notes, the Issuer), 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. Delivery of the Notes was made on December 7, 2006 (the "**Closing Date**"), against payment in immediately available funds. See "Plan of Distribution."

The Notes (other than the Class A-1LA Revolving Notes) sold to Non-U.S. Persons, if any, will be represented on the Closing Date by temporary global notes (the "**Temporary Regulation S Global Note(s)**"), which will be deposited with, in the case of the Notes of each Class other than the Class B-3L Notes, a custodian for and registered in the name of a nominee of The Depository Trust Company ("**DTC**") for the accounts of, and in the case of the Class B-3L Notes, with a common depository on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") registered in the name of the depository bank. The Notes (other than the Class A-1LA Revolving Notes and the Class B-3L Notes) sold to U.S. Persons, if any, will be issued, sold and delivered in book-entry form only through the facilities of The Depository Trust Company. The Class A-lLA Revolving Notes and the Class B-3L Notes sold to U.S. Persons, if any, will be issued, sold and delivered in definitive fully-registered form only.

RBS Greenwich Capital

This Prospectus is dated April 18, 2007.

This Offering Circular constitutes a prospectus for the purposes of the Prospectus Directive and for the purpose of listing the Notes and the Class P1 Combination Notes on the regulated market of the Irish Stock Exchange. Reference throughout the document to the "Offering Circular" shall be taken to read "Prospectus" for the purpose of listing the Notes and the Class P1 Combination Notes on the regulated market of the Irish Stock Exchange.

This Offering Circular constitutes a Listing Particulars for the purpose of listing the Preference Shares on the Alternative Securities Market of the Irish Stock Exchange. Reference throughout the document to the "Offering Circular" shall be taken to read "Listing Particulars" for the purpose of listing the Preference Shares on the Alternative Securities Market of the Irish Stock Exchange.

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The Issuer will receive all of the net proceeds of the offering of the Notes, which, together with the proceeds from the sale of the Preference Shares of the Issuer on the Closing Date will be used by the Issuer to acquire a portfolio of U.S. dollar denominated asset-backed securities (the "**Non-Synthetic Portfolio Collateral**"), enter into CDS Transactions (as defined herein) and invest in Eligible Investments and Underlying Assets (each as defined herein). The Issuer may also use the proceeds of the offering of the Notes and the Preference Shares to enter, after the Closing Date, into Short CDS Transactions (as defined herein), up to the aggregate Adjusted Notional Amount thereof (as defined herein) specified herein. The Issuer may hedge its exposure created by the CDS Transactions and Short CDS Transactions by entering into Hedging CDS Transactions or Hedging Short CDS Transactions, as described herein. The Issuer will enter into the Senior Prepaid Swap Agreements on the Closing Date pursuant to which, among other requirements, a counterparty thereto will be required to make an up-front payment to the Issuer. The Issuer will apply such up-front payment to pay for the closing expenses relating to the issuance of the Notes and the Preference Shares (as described herein) and to purchase collateral. The CDS Transactions, Hedging CDS Transactions, Short CDS Transactions and Hedging Short CDS Transactions (each as defined herein) (each such transaction, a "**Credit Default Swap**" and collectively, the "**Credit Default Swaps**"), the Non-Synthetic Portfolio Collateral, any Delivered Obligations, the Eligible Investments, Underlying Assets, the Total Return Swap, the Senior Prepaid Swap Agreements and the Class A-1LA Revolving Note Purchase Agreement (each, as defined herein) will be pledged under the Indenture by the Issuer to the Trustee. The Royal Bank of Scotland plc, an affiliate of the Initial Purchaser, will act as the initial Swap Counterparty with respect to the Credit Default Swaps. Vanderbilt Capital Advisors, LLC (the "**Collateral Manager**") will serve as Collateral Manager for the Issuer's portfolio of Portfolio Collateral and Eligible Investments. The Preference Shares are described and offered pursuant to Appendix 1 of this Offering Circular. The Class P1 Combination Notes are described and offered pursuant to Appendix 2 of this Offering Circular.

The Class A-1LA Funded Notes (as defined herein), the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes, the Class A-4L Notes, the Class B-1L Notes, the Class B-2L Notes and the Class B-3L Notes will provide for the payment of Periodic Interest (as defined herein) (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period (as defined herein) at the rate of 0.34%, 0.45%, 0.54%, 1.45%, 2.75%, 3.40%, 3.85% and 6.50% *per annum*, respectively, above the London interbank offered rate for three-month U.S. dollar deposits (or, for the period from the Closing Date to the first Payment Date, as described herein) ("**LIBOR**") (determined as described herein). The Class A-1LA Unfunded Notes (as defined herein) will provide for the payment of Periodic Interest (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 0.20% *per annum.* Such payments are to be made in each case at the times and subject to the priority of distribution provisions described herein.

As of the Closing Date, the aggregate principal amount of the Class A-1LA Unfunded Notes is expected to be U.S.$609,000,000 and the aggregate principal amount of the Class A-1LA Funded Notes is expected to be zero.

On the Closing Date, the Issuer will also issue the Class P1 Combination Notes (the "**Class P1 Combination Notes**"), which will represent an ownership interest in a portion of the Class A-3L Notes and the Class B-3L Notes, as described herein.

Unless the Combination Notes are explicitly addressed in the same context, references herein to Class A-3L Notes or Class B-3L Notes will include a reference to the Combination Notes to the extent of the Class A-3L Component and Class B-3L Component, respectively, and references to the rights and obligations of the Holders of the Class A-3L Notes and Class B-3L Notes (including with respect to any payments, distributions or redemptions, as applicable, on or of such Notes or votes, notices or consents to be given by such Holders) include the rights and obligations of the Holders of the Class P1 Combination Notes to the extent of the Class A-3L Component and Class B-3L Component, respectively. Unless the Holders of the Class P1 Combination Notes are explicitly addressed in the same context, references herein to Noteholders will include a reference to the Holders of the Class P1 Combination Notes to the extent of the Class A-3L Component and Class B-3L Component, as applicable. Unless the Holders of the Class P1 Combination Notes are explicitly addressed in the same context, Holders of the Class P1 Combination Notes will be entitled to participate in any vote or consent of, or any direction or objection by, the Noteholders, the Holders of the Class A-3L Notes or the Holders of the Class B-3L Notes to the extent of the Class A-3L Component and Class B-3L Component, as applicable.

Principal of the Notes will be payable at the times, in the amounts, and subject to the priority of distribution provisions described herein. **The Notes are subject to redemption at the times and under the circumstances**

described herein, including, without limitation, Tax Redemption, Auction Call Redemption and Optional Redemption as described herein.

The Notes, with the exception of the Class B-3L Notes, are non-recourse obligations of the Co-Issuers, and the Class B-3L Notes are non-recourse obligations of the Issuer, payable solely from the Trust Estate described herein. The Class B-3L Notes are subordinated to the Class B-2L Notes, the Class B-1L Notes and the Class A Notes, the Class B-2L Notes are subordinated to the Class B-1L Notes and the Class A Notes, the Class B-1L Notes are subordinated to the Class A Notes, the Class A-4L Notes are subordinated to the Class A-3L Notes, the Class A-2L Notes, the Class A-1LB Notes and the Class A-1LA Revolving Notes, the Class A-3L Notes are subordinated to the Class A-2L Notes, the Class A-1LB Notes and the Class A-1LA Revolving Notes, the Class A-2L Notes are subordinated to the Class A-1LB Notes and the Class A-1LA Revolving Notes and the Class A-1LB Notes are subordinated to the Class A-1LA Revolving Notes, in each case to the extent described herein. To the extent the assets of the Trust Estate are insufficient to pay in full all amounts due on the Notes, the Co-Issuers shall have no further obligations in respect of the Notes and any sums outstanding and unpaid shall be extinguished.

NOTICES TO PURCHASERS

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, UNITED STATES PERSONS, UNLESS A REGISTRATION STATEMENT WITH RESPECT THERETO IS THEN EFFECTIVE UNDER THE SECURITIES ACT OR AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE. THE CO-ISSUERS HAVE NO OBLIGATION OR CURRENT INTENTION TO EFFECT SUCH REGISTRATION. THE CO-ISSUERS ARE RELYING ON AN EXCLUSION FROM REGISTRATION UNDER THE INVESTMENT COMPANY ACT, AND NO TRANSFER OF A NOTE MAY BE MADE WHICH WOULD CAUSE EITHER OF THE CO-ISSUERS TO BECOME SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE INVESTMENT COMPANY ACT. THE NOTES ARE ALSO SUBJECT TO CERTAIN OTHER RESTRICTIONS ON TRANSFER DESCRIBED HEREIN. PROSPECTIVE PURCHASERS OF THE NOTES SHOULD PROCEED ON THE ASSUMPTION THAT THEY MUST HOLD THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THE PURCHASER OF A NOTE, BY ITS ACCEPTANCE THEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT RESELL, PLEDGE OR OTHERWISE TRANSFER SUCH NOTE EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT (A) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, WHOM THE SELLER HAS INFORMED, IN EACH CASE, THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, PROVIDED THAT SUCH PURCHASER DELIVERS ALL DOCUMENTS AND CERTIFICATIONS AS THE CO-ISSUERS OR THE TRUSTEE MAY REASONABLY REQUEST; (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, PROVIDED THAT SUCH PURCHASER DELIVERS ALL DOCUMENTS AND CERTIFICATIONS AS THE CO-ISSUERS OR THE TRUSTEE MAY REASONABLY REQUEST; OR (C) TO THE CO-ISSUERS OR THEIR AFFILIATES, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. IN ADDITION, THE PURCHASER OF A NOTE, BY ITS ACCEPTANCE THEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT RESELL, PLEDGE OR OTHERWISE TRANSFER SUCH NOTE OTHER THAN TO A NON-U.S. PERSON IN AN "OFFSHORE TRANSACTION" IN COMPLIANCE WITH REGULATION S EXCEPT TO A "QUALIFIED PURCHASER" WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT IN A TRANSACTION THAT DOES NOT CAUSE EITHER OF THE CO-ISSUERS TO BE REQUIRED TO REGISTER UNDER THE INVESTMENT COMPANY ACT AND WILL ALSO BE DEEMED TO HAVE MADE THE REPRESENTATIONS SET FORTH UNDER "DELIVERY OF THE NOTES; TRANSFER RESTRICTIONS; SETTLEMENT." FURTHER, THE CLASS A NOTES MAY NOT BE SOLD OR TRANSFERRED UNLESS SUCH SALE OR TRANSFER WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). THE CLASS B-1L NOTES AND THE CLASS B-2L NOTES MAY NOT BE SOLD OR TRANSFERRED TO ANY PLAN SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR TO ANY PERSON ACTING ON BEHALF OF OR WITH "PLAN ASSETS" OF ANY SUCH PLAN, INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT, UNLESS THE PURCHASER OR TRANSFEREE IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER ANY OF SECTION 408(b)(17) OF ERISA OR PTCE 96-23, 95-60, 91-38, 90-1 OR 84-14. THE CLASS B-3L NOTES MAY NOT BE SOLD OR TRANSFERRED TO ANY PLAN SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, TO ANY PERSON ACTING ON BEHALF OF OR WITH "PLAN ASSETS" OF ANY SUCH PLAN, OR TO ANY OTHER "BENEFIT PLAN INVESTOR" (AS DEFINED IN SECTION 3(42) of ERISA (A "BENEFIT PLAN INVESTOR"), INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

THE NOTES, WITH THE EXCEPTION OF THE CLASS B-3L NOTES, ARE NON-RECOURSE OBLIGATIONS OF THE CO-ISSUERS AND THE CLASS B-3L 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 THE DISTRIBUTIONS ON THE COLLATERAL WHICH ARE THE ONLY SOURCE OF PAYMENT OF PRINCIPAL OF, INTEREST ON AND OTHER AMOUNTS PAYABLE IN RESPECT OF THE NOTES. TO THE EXTENT SUCH SOURCES OF PAYMENT ARE INSUFFICIENT TO PAY IN FULL ALL AMOUNTS DUE ON THE NOTES, THE CO-ISSUERS SHALL HAVE NO FURTHER OBLIGATIONS IN RESPECT OF THE NOTES AND ANY SUMS OUTSTANDING AND UNPAID SHALL BE EXTINGUISHED.

HOLDERS OF THE NOTES SHALL HAVE NO RIGHT OF RECOURSE, AND SHALL HAVE NO RIGHT TO ASSERT A CLAIM OF ANY NATURE, AGAINST ANY REFERENCE OBLIGATION, ANY REFERENCE ENTITY OR ANY UNDERLYING ASSETS.

PURCHASERS OF THE NOTES WILL BE EXPOSED TO CREDIT RISKS AND OTHER RISKS OF THE REFERENCE OBLIGATIONS UNDER THE CREDIT DEFAULT SWAPS, THE ISSUERS OF ANY NON-SYNTHETIC PORTFOLIO COLLATERAL, ANY UNDERLYING ASSETS OR ELIGIBLE INVESTMENTS AND ANY SWAP COUNTERPARTY OR TRS SWAP COUNTERPARTY. NO INFORMATION IS SET FORTH HEREIN WITH RESPECT TO THE CONDITION OR CREDITWORTHINESS OF ANY OF THE REFERENCE ENTITIES, ANY ISSUER OR GUARANTOR OF NON-SYNTHETIC PORTFOLIO COLLATERAL, UNDERLYING ASSETS OR ELIGIBLE INVESTMENTS OR ANY SWAP COUNTERPARTY OR TRS SWAP COUNTERPARTY. NONE OF THE ISSUERS OF AND OTHER OBLIGORS ON THE NON-SYNTHETIC PORTFOLIO COLLATERAL, REFERENCE OBLIGATIONS OR UNDERLYING ASSETS HAS PARTICIPATED IN THE ISSUANCE OF THE NOTES AND THE PREPARATION OF THIS OFFERING CIRCULAR.

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 AND ASSESSING THE RISKS ASSOCIATED WITH DEFAULTS, LOSSES AND RECOVERIES ON, REINVESTMENT OF PROCEEDS OF AND OTHER CHARACTERISTICS OF, THE PORTFOLIO COLLATERAL, THE RELATED REFERENCE OBLIGATIONS, THE REFERENCE ENTITIES AND THE ELIGIBLE INVESTMENTS AND (B) BEARING SUCH RISKS AND FINANCIAL CONSEQUENCES THEREOF.

EACH PURCHASER OF A NOTE BY ITS ACCEPTANCE THEREOF ACKNOWLEDGES THAT IT IS USING ITS INDEPENDENT JUDGMENT IN ASSESSING THE OPPORTUNITIES AND RISKS PRESENTED BY THE NOTES FOR ITS INVESTMENT PORTFOLIO AND IN DETERMINING WHETHER THE ACQUISITION IS SUITABLE AND COMPLIES WITH SUCH PURCHASER'S INVESTMENT OBJECTIVES AND POLICIES.

EXCEPT IN RESPECT OF THE INFORMATION SET FORTH IN THE SECTIONS ENTITLED "THE COLLATERAL MANAGER," "THE SWAP COUNTERPARTY" AND "THE TRS SWAP COUNTERPARTY," THE CO-ISSUERS, HAVING TAKEN REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR (SAVE FOR THE SECTIONS ENTITLED "THE COLLATERAL MANAGER," "THE SWAP COUNTERPARTY" AND "THE TRS SWAP COUNTERPARTY") AND TO THE BEST OF THEIR KNOWLEDGE, THE INFORMATION CONTAINED HEREIN IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT ITS IMPORT.

THE COLLATERAL MANAGER ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THE SECTION ENTITLED "THE COLLATERAL MANAGER." TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE SWAP COUNTERPARTY, THE INFORMATION CONTAINED IN THE SECTION ENTITLED "THE COLLATERAL MANAGER" IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

THE SWAP COUNTERPARTY ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THE SECTION ENTITLED "THE SWAP COUNTERPARTY." TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE SWAP COUNTERPARTY, THE INFORMATION CONTAINED IN THE

SECTION ENTITLED "THE SWAP COUNTERPARTY" IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

THE TRS SWAP COUNTERPARTY ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THE SECTION ENTITLED "TRS SWAP COUNTERPARTY." TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE TRS SWAP COUNTERPARTY, THE INFORMATION CONTAINED IN THE SECTION ENTITLED "TRS SWAP COUNTERPARTY" IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

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 NOR TO ANY PERSON WHO HAS NOT RECEIVED A COPY OF EACH CURRENT AMENDMENT OR SUPPLEMENT HERETO, IF ANY.

THIS OFFERING CIRCULAR IS FURNISHED SOLELY FOR THE PURPOSE OF EVALUATING THE INVESTMENT OFFERED HEREBY. THE INFORMATION CONTAINED HEREIN MAY NOT BE REPRODUCED OR USED IN WHOLE OR IN PART FOR ANY OTHER PURPOSE.

NOTWITHSTANDING ANY OTHER EXPRESS OR IMPLIED AGREEMENT TO THE CONTRARY, THE ISSUER, THE COLLATERAL MANAGER, THE INITIAL PURCHASER, THE TRS SWAP COUNTERPARTY, THE TRUSTEE, THE COLLATERAL ADMINISTRATOR AND EACH RECIPIENT HEREOF AGREE THAT EACH OF THEM AND EACH OF THEIR EMPLOYEES, REPRESENTATIVES, AND OTHER AGENTS MAY DISCLOSE, IMMEDIATELY UPON COMMENCEMENT OF DISCUSSIONS, TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTION AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO ANY OF THEM RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE.

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 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. OFFICERS AND OTHER REPRESENTATIVES OF THE CO-ISSUERS AND THE INITIAL PURCHASER WILL BE AVAILABLE TO ANSWER QUESTIONS CONCERNING THE CO-ISSUERS, THE NOTES AND THE COLLATERAL 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.

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

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

THE INITIAL PURCHASER AND THE CO-ISSUERS: (A) HAVE ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED AND WILL ONLY COMMUNICATE OR CAUSE TO BE

COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA")) RECEIVED BY THEM IN CONNECTION WITH THE ISSUE OR SALE OF ANY OFFERED SECURITIES IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE ISSUER AND (B) HAVE COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY THEM IN RELATION TO THE OFFERED SECURITIES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

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.

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

THE COLLATERAL MANAGER, THE TRUSTEE AND THEIR AFFILIATES HAVE NOT PARTICIPATED IN THE PREPARATION OF THIS OFFERING CIRCULAR AND DO NOT ASSUME ANY RESPONSIBILITY FOR ITS CONTENTS.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act for resales of Notes, the Co-Issuers will make available to Holders and prospective purchasers who request such information, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request either the Issuer or the Co-Issuer is not a reporting company under Section 13 or Section 15(d) of the Exchange Act or if either the Issuer or the

Co-Issuer is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. Copies of all such documents may be obtained free of charge from the office of the Trustee or, for so long as any Class of Notes is listed on any stock exchange, the Listing and Paying Agent. Neither of the Co-Issuers expect to become such a reporting company or to be so exempt from reporting.

OFFERING CIRCULAR 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 (the "**Glossary**") of certain defined terms used herein appears as Annex A to this Offering Circular.

The Issuer	Webster CDO I, Ltd., a recently formed exempted company incorporated with limited liability under the laws of the Cayman Islands (the "**Issuer**"). The activities of the Issuer are limited to (i) entering into the Indenture and issuing the Notes, which are secured by the Credit Default Swaps, the Non-Synthetic Portfolio Collateral, the Total Return Swap and the other Collateral pledged by the Issuer under the Indenture, (ii) the issuance of the Class P1 Combination Notes, (iii) the issuance of the Preference Shares, (iv) entering into, performing its obligations under, assigning and terminating the Credit Default Swaps and the Total Return Swap, (v) entering into and performing its obligations under the Class A-1LA Revolving Note Purchase Agreement and the Senior Prepaid Swap Agreements, (vi) acquiring, investing, disposing and reinvesting in the Portfolio Collateral, Underlying Assets and Eligible Investments to the extent provided herein, (vii) entering into and performing its obligations under the Collateral Management Agreement and (viii) other activities set forth in the Indenture and the other transaction documents and other activities incidental to the foregoing, including the ownership of 100% of the stock of the Co-Issuer.
The Co-Issuer	Webster CDO I (Delaware) Corp., a recently formed Delaware corporation (the "**Co-Issuer**" and, together with the Issuer, the "**Co-Issuers**"). The Co-Issuer will have no substantial assets.
Securities Offered	U.S.$609,000,000 aggregate principal amount of Class A-1LA Revolving Notes due April 2047 (the "**Class A-1LA Revolving Notes**"), U.S.$158,000,000 aggregate principal amount of Class A-1LB Floating Rate Notes Due April 2047 (the "**Class A-1LB Notes**"), U.S.$70,000,000 aggregate principal amount of Class A-2L Floating Rate Notes Due April 2047 (the "**Class A-2L Notes**"), U.S.$59,000,000 aggregate principal amount of Class A-3L Floating Rate Deferrable Notes Due April 2047 (the "**Class A-3L Notes**"), U.S.$10,000,000 aggregate principal amount of Class A-4L Floating Rate Deferrable Notes Due April 2047 (the "**Class A-4L Notes**" and, together with the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes and the Class A-3L Notes, the "**Class A Notes**"), U.S.$32,000,000 aggregate principal amount of Class B-1L Floating Rate Deferrable Notes Due April 2047 (the "**Class B-1L Notes**"), U.S.$10,000,000 aggregate principal amount of Class B-2L Floating Rate Deferrable Notes Due April 2047 (the "**Class B-2L Notes**") and U.S.$9,000,000 aggregate principal amount of Class B-3L Floating Rate Deferrable Notes Due April 2047 (the "**Class B-3L Notes**" and, together with the Class B-1L Notes and the Class B-2L Notes, the "**Class B Notes**" and together with the Class A Notes, the "**Notes**"). The Notes will be issued on the Closing Date pursuant to an indenture (the "**Indenture**"), to be dated as of December 7, 2006, among the Co-Issuers and LaSalle Bank National Association, as trustee (the "**Trustee**") and as securities intermediary. On the Closing Date, the Issuer will also issue the Class P1 Combination Notes due April 2047 in an aggregate original principal amount of U.S. $10,000,000 (the "**Class P1 Combination Notes**"). The Class P1 Combination Notes will consist of the **"Class A-3L Component"** which is

the component of the Class P1 Combination Notes representing an interest in Class A-3L Notes having an initial Aggregate Principal Amount of U.S. $5,000,000, and the "**Class B-3L Component**" which is the component of the Class P1 Combination Notes representing an interest in Class B-3L Notes having an initial Aggregate Principal Amount of U.S. $5,000,000. The Class P1 Combination Notes are described and offered pursuant to Appendix 2 of this Offering Circular.

On the Closing Date, the Issuer will also issue its Preference Shares (the "**Preference Shares**" and, together with the Notes, the "**Securities**"). The Preference Shares are described and offered pursuant to Appendix 1 of this Offering Circular.

The Swap Counterparty

The Royal Bank of Scotland plc (**"RBS"**), an affiliate of the Initial Purchaser, will be the initial Swap Counterparty with respect to the CDS Transactions. After the Closing Date, the Issuer may enter into additional CDS Transactions or into Short CDS Transactions with RBS or a Qualifying Swap Counterparty (each, a **"Swap Counterparty"**). In addition, the Issuer may hedge its exposure created by the CDS Transactions and Short CDS Transactions by entering into Hedging CDS Transactions or Hedging Short CDS Transactions with the applicable Swap Counterparty.

RBS is a full-service broker-dealer a public limited company incorporated and existing under the laws of Scotland and Headquartered in Edinburgh, Scotland. RBS is supervised by and regulated in accordance with the rules of the Financial Services Authority. See "The Swap Counterparty."

A **"Qualifying Swap Counterparty"** means any swap counterparty or guarantor of its obligations that satisfies the Moody's Swap Counterparty Criteria and the S&P Swap Counterparty Criteria; *provided*, that if there is more than one Swap Counterparty, the Issuer must receive confirmation from each Rating Agency that the Rating Condition is satisfied with respect to each such Swap Counterparty. It is expected that there will only be one Swap Counterparty.

The TRS Swap Counterparty

Merrill Lynch International (**"MLI"**) will be the initial TRS Swap Counterparty with respect to the Total Return Swap.

MLI is organized under the laws of England with its principal executive office located at Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ, United Kingdom. It is a wholly owned indirect subsidiary of Merrill Lynch & Co. See "The TRS Swap Counterparty."

The Collateral Manager

Vanderbilt Capital Advisors, LLC (the "**Collateral Manager**") will enter into a Collateral Management Agreement with the Issuer (the "**Collateral Management Agreement**"). Pursuant to the Collateral Management Agreement and in accordance with the Indenture, the Collateral Manager will manage the selection, acquisition, hedging, assignment and termination of the Credit Default Swaps and the investment and reinvestment in the Non-Synthetic Portfolio Collateral, Underlying Assets and Eligible Investments in accordance with the restrictions set forth in the Indenture. In addition, the Collateral Manager will select the Swap Counterparties. For a summary of certain provisions of the Collateral Management Agreement and certain other information concerning the Collateral Manager, see "The Collateral Manager" and "The Collateral Management Agreement."

The Collateral Manager or an affiliate thereof is expected to purchase a majority of the Preference Shares on or about the Closing Date. See "Potential Conflicts of Interest."

Final Maturity Date	The April 2047 Payment Date or such earlier date as the Aggregate Principal Amount of each Class of Notes is paid in full, including in connection with an Optional Redemption, a Tax Redemption or an Auction Call Redemption.
Use of Proceeds	The proceeds from the sale of the Notes on the Closing Date, together with certain proceeds from the sale of the Preference Shares will be used by the Issuer to (i) fund the purchase of (or enter into binding commitments to purchase) a diversified pool of at least U.S$60,000,000 (the "**Initial Non-Synthetic Collateral Amount**") in Aggregate Principal Amount of United States dollar denominated Asset-Backed Securities (the "**Initial Non-Synthetic Portfolio Collateral**"), (ii) enter into the CDS Transactions with RBS that reference United States dollar denominated Asset-Backed Securities (the "**Initial CDS Transactions**", and together with the Initial Non-Synthetic Portfolio Collateral, the "**Initial Portfolio Collateral**" and, together with all other Non-Synthetic Portfolio Collateral and Credit Default Swaps (including any related Delivered Obligations) purchased by or entered into by the Issuer from time to time and pledged to secure the Notes as described herein, the "**Portfolio Collateral**") with a Net Aggregate Adjusted Notional Amount of at least U.S.$840,000,000 (the "**Initial CDS Aggregate Notional Amount**" and together with the Initial Non-Synthetic Collateral Amount, the "**Initial Portfolio Collateral Amount**") that, in each case, will satisfy the eligibility requirements described herein and which will be pledged on the Closing Date as security for the Notes, (iii) fund the Deposit (the "**Deposit**") in an account with the Trustee (the "**Initial Deposit Account**") on the Closing Date of cash in an amount expected to be used to acquire additional Non-Synthetic Portfolio Collateral or additional Underlying Assets on or before the Effective Date (as defined herein), (iv) fund the deposit in an account with the Trustee (the "**Expense Reimbursement Account**") on the Closing Date of approximately U.S.$100,000, which amount will be available for payment from time to time of future expenses of the Issuer as described herein and (v) fund an account with the Trustee (the "**Closing Expense Account**") on the Closing Date, which will be used to pay fees and other expenses related to the transaction. The remaining proceeds from the sale of the Notes and the Preference Shares will be deposited in the Principal Account (including the UA Collateral Sub-Account) and invested in Eligible Investments and Underlying Assets, as described herein. The up-front payment from the Senior Prepaid Swap Counterparty will be used by the Issuer to acquire Underlying Assets, Eligible Investments and Non-Synthetic Portfolio Collateral, and to pay for the closing expenses and the related fees. On or prior to the Effective Date, the Issuer will attempt to enter into CDS Transactions and acquire Non-Synthetic Portfolio Collateral until the Net Obligation Amount (as defined herein) is at least equal to U.S.$1,000,000,000 (the "**Required Portfolio Collateral Amount**"). The Effective Date is the earlier of (i) the date on which the Collateral Manager, on behalf of the Issuer, notifies the Trustee that the Net Obligation Amount *plus* the Remaining Capacity (without duplication and without giving effect to any reductions of that amount that may have resulted from scheduled principal payments or principal prepayments made with respect to any of the Reference Obligations or the Non-Synthetic Portfolio Collateral on or before the Effective Date) is equal to the Required Portfolio Collateral Amount and (ii) March 7, 2007. Non-Synthetic Portfolio Collateral purchased or committed to be purchased and Credit Default Swaps entered into on or before the Effective Date are referred to herein as "**Original Portfolio Collateral**." Non-Synthetic

Portfolio Collateral purchased by the Issuer with amounts in the Principal Account and Credit Default Swaps entered into after the Effective Date with amounts in the Principal Account are referred to herein as "**Additional Portfolio Collateral**."

The Portfolio Collateral

The Portfolio Collateral will consist of United States dollar denominated Non-Synthetic Portfolio Collateral and Credit Default Swaps (including the related Reference Obligations) related to Asset-Backed Securities satisfying the investment criteria described herein. See "Security for the Notes—Portfolio Collateral." The Issuer will acquire all of the Initial Non-Synthetic Portfolio Collateral from the Initial Purchaser at negotiated prices acceptable to the Issuer. RBS will be the Swap Counterparty with respect to the Initial CDS Transactions. During the Revolving Period, the Issuer may acquire, sell, hedge, terminate or assign items of Portfolio Collateral, as applicable, subject to the satisfaction of the collateral criteria and other conditions described herein. See "Security for the Notes—Changes in Composition of Portfolio Collateral."

The Indenture authorizes the Collateral Manager to direct the Trustee to hedge, assign or terminate any Credit Default Swap or sell any item of Non-Synthetic Portfolio Collateral which relates to an item of Defaulted Portfolio Collateral, Equity Portfolio Collateral, Credit Risk Portfolio Collateral or Appreciated Portfolio Collateral, subject to the limitations set forth therein and described herein under "Security for the Notes—Changes in Composition of Portfolio Collateral" and "The Collateral Management Agreement." Furthermore, so long as the conditions set forth under "Security for the Notes—Changes in Composition of Portfolio Collateral" are satisfied, the Collateral Manager may direct the hedging, assignment or termination of any Credit Default Swap or the sale of any item of Non-Synthetic Portfolio Collateral with respect to an item of Portfolio Collateral that is not Defaulted Portfolio Collateral, Equity Portfolio Collateral, Credit Risk Portfolio Collateral or Appreciated Portfolio Collateral, *provided* that the aggregate Adjusted Notional Amount of Credit Default Swaps, together with the Aggregate Principal Amount of items of Non-Synthetic Portfolio Collateral, hedged, sold, assigned or terminated during any twelve-month period does not exceed 20% of the Net Obligation Amount included in the Trust Estate on the first day of such twelve-month period (or 20% of the Required Portfolio Collateral Amount with respect to any twelve-month period commencing prior to the Effective Date), as described herein.

The Credit Default Swaps

Each Credit Default Swap entered into by the Issuer will be evidenced by a separate Confirmation (as defined below). Each Credit Default Swap represented by a Confirmation will be separate and distinct and will relate to an individual Reference Obligation or an index of Reference Obligations (each such transaction is referred to herein as a "**CDS Transaction**", "**Short CDS Transaction**," "**Hedging CDS Transaction**" and "**Hedging Short CDS Transaction**," as applicable) and will be required to satisfy the criteria described herein. See "Security for the Notes—The Reference Obligations."

Each Credit Default Swap will have a specified notional amount (the "**Notional Amount**" with respect to such transaction) which, multiplied by the related Reference Price, represents the dollar amount of the credit exposure which the Issuer or the counterparty, as applicable, is assuming thereunder with respect to the Reference Obligation related to such transaction. With respect to each of the CDS Transactions, Hedging CDS Transactions, Short CDS Transactions and Hedging Short CDS Transactions,

the "**Aggregate Notional Amount"** is the sum of the Notional Amounts of all such CDS Transactions, Hedging CDS Transactions, Short CDS Transactions and Hedging Short CDS Transactions.

It is expected that on the Closing Date the Issuer will enter into three separate master confirmations relating to Reference Obligations which are RMBS Securities, CMBS Securities and CDO Securities. The Issuer may enter into additional Credit Default Swaps that are Form-Approved Credit Default Swaps (as defined herein). See "Security for the Notes—The Credit Default Swaps."

The Reference Obligations included in the Credit Default Swaps are collectively referred to herein as the "**Reference Pool**." See "Security for the Notes—The Credit Default Swaps." The portfolio of Reference Obligations is expected to meet the criteria described more fully under "Security for the Notes—Reference Pool Guidelines." However, the failure to meet such criteria will not constitute an Event of Default.

Pursuant to each CDS Transaction, the Issuer will receive Fixed Rate Counterparty Payments (as defined below) in exchange for providing credit protection to the Swap Counterparty in connection with certain credit events that may occur with respect to the related Reference Obligations.

The Issuer may also enter into Hedging CDS Transactions, Short CDS Transactions and Hedging Short CDS Transactions with a Qualifying Swap Counterparty to the extent described herein. Under each Hedging CDS Transaction, the Issuer will purchase protection from a Swap Counterparty with respect to a Reference Obligation for which it has assumed credit exposure under the corresponding CDS Transaction with such Swap Counterparty. The Issuer will pay to the Swap Counterparty a fixed rate amount (the "**Hedging CDS Transaction Fixed Rate**") specified in the Hedging CDS Transaction which will be netted from the Fixed Rate Counterparty Payment due from the Swap Counterparty on the related CDS Transaction. To the extent the Hedging CDS Transaction Fixed Rate due to a Swap Counterparty exceeds the Fixed Rate Counterparty Payment due from such Swap Counterparty, the Issuer will pay such amount from amounts on deposit in the Note Collection Account. If the Issuer enters into a Hedging CDS Transaction with respect to any CDS Transaction, upon the occurrence of a credit event with respect to such CDS Transaction, such Hedging CDS Transaction and the related portion of the CDS Transaction will terminate at no cost to either party. Although each Hedging CDS Transaction is generally required to meet the requirements of a "CDS Transaction" described herein, references to "CDS Transaction" herein generally will not refer to Hedging CDS Transactions, unless expressly so stated.

Under each Short CDS Transaction, the Issuer will purchase protection from a Swap Counterparty with respect to a Reference Obligation that is not in the Reference Pool or from a different Swap Counterparty, regardless of whether the related Reference Obligation is in the Reference Pool; *provided* that the Short CDS Transaction must be documented on a Form-Approved Credit Default Swap. The Issuer will be required to pay to the Swap Counterparty a fixed rate amount under each Short CDS Transaction (the "**Short CDS Transaction Fixed Rate**") which will be netted from the fixed rate amount payable by such Swap Counterparty to the Issuer under the related Hedging Short CDS Transaction, if any. The Swap Counterparty will be required to pay Short Physical Settlement Amounts to the Issuer following the occurrence of a credit event under a Short CDS Transaction specified in the

related Master Agreement and Confirmation; *provided* that the Swap Counterparty's obligation to pay such Short Physical Settlement Amounts may be reduced or eliminated to the extent the Issuer has entered into a related Hedging Short CDS Transaction. To the extent a Short CDS Transaction Fixed Rate is due to a Swap Counterparty that owes the Issuer a Fixed Rate Counterparty Payment, the amount of such Fixed Rate Counterparty Payment will be reduced by any Short CDS Transaction Fixed Rate. If the Short CDS Transaction Fixed Rate due to a Swap Counterparty exceeds the Fixed Rate Counterparty Payment due from such Swap Counterparty (or is due to a Swap Counterparty that does not owe the Issuer a payment), the Issuer will pay such amount from amounts on deposit in the Note Collection Account.

To the extent there are any additional payments due to the Issuer (a "**Trading Gain Payment**") as a result of (i) the assignment of a Credit Default Swap to a Qualifying CDS Transferee or (ii) the termination of a Credit Default Swap, the Issuer will deposit such Trading Gain Payment into the Principal Account to be invested in Eligible Investments and Underlying Assets or items of Non-Synthetic Portfolio Collateral, as determined by the Collateral Manager. To the extent the Issuer is obligated to make an additional payment to the Swap Counterparty or a Qualifying CDS Transferee (a "**Trading Loss Payment**") as a result of (i) the assignment of a Credit Default Swap to a Qualifying CDS Transferee or (ii) the termination of a Credit Default Swap, the Issuer will obtain funds by liquidating Eligible Investments in the Principal Account and Underlying Assets in the UA Collateral Sub-Account. To the extent the amounts on deposit in the Principal Account and the UA Collateral Sub-Account have been reduced to zero, the Issuer may fund any Trading Loss Payments by drawing on the Class A-1LA Unfunded Notes, in accordance with the Indenture and the Class A-1LA Revolving Note Purchase Agreement.

The Credit Default Swaps and the related Reference Obligations are required to have the characteristics and satisfy the criteria described herein under "Security for the Notes—The Reference Obligations" and "—Changes in Composition of Portfolio Collateral" although there is no assurance that such criteria will be satisfied on any date.

Master Agreement and Confirmation

Each Credit Default Swap will be made pursuant to a 1992 ISDA Master Agreement (Multicurrency-Cross Border), including the schedule and any credit support annex thereto (a "**Master Agreement**"), between the Issuer and the related Swap Counterparty, and a master confirmation between such parties (separately for the Reference Obligations that are CMBS Securities, RMBS Securities and CDO Securities) as supplemented by a separate letter of execution or similar short-form confirmation of transaction (a "**Confirmation**") evidencing each separate CDS Transaction, Hedging CDS Transaction, Short CDS Transaction and Hedging Short CDS Transaction. Each Credit Default Swap will constitute a separate transaction separate and distinct from all other Credit Default Swaps (including those documented under the same master confirmation) and will relate to an individual Reference Obligation or an index of Reference Obligations. The Credit Derivatives Definitions will apply to, and be incorporated by reference into, each Credit Default Swap. Under certain circumstances specified in each Master Agreement, the Issuer or the related Swap Counterparty may terminate the Master Agreement and the Credit Default Swaps made thereunder, in which event the Issuer or related Swap Counterparty may be required to make termination payments.

Each Credit Default Swap executed by the Issuer after the Closing Date will be a Form-Approved Credit Default Swap. A "**Form-Approved Credit Default Swap**" is a Credit Default Swap, the documentation of which (i) (a) conforms to a form in respect of which the Rating Condition has been satisfied for entry by the Issuer and (b) in the Collateral Manager's judgment, is deemed to be a standard market form pay-as-you-go confirmation based on a template published by ISDA, Markit Partners or CDS Indexco or (ii) is in the form of any Credit Default Swap entered into on the Closing Date (attached to the Indenture as a schedule thereto); *provided, however*, that upon 10 days' advance written notice, S&P may notify the Issuer that the form of the Master Agreement entered into on the Closing Date (or other subsequently approved form for which the Rating Condition has been satisfied) no longer qualifies as a "Form-Approved Credit Default Swap" for future master agreements (including the schedule and any credit support annex thereto) entered into by the Issuer with a new swap counterparty.

The initial Swap Counterparty is RBS. Any additional Swap Counterparty is required to be a Qualifying Swap Counterparty.

Termination of Credit Default Swaps

Each Credit Default Swap will terminate by its terms no later than the latest legal final maturity of a Reference Obligation thereunder (the "**Scheduled Termination Date**").

Swap Counterparty Payments

Pursuant to each CDS Transaction and Hedging Short CDS Transaction, within 5 Business Days after a Reference Obligation payment date (as set forth in the CDS Transaction and Hedging Short CDS Transaction), the Swap Counterparty will pay a fixed rate amount *minus* any related Fixed Rate Shortfall Amount, as described below (the "**Fixed Rate Counterparty Payment**") to the Issuer, with respect to each Periodic Interest Accrual Period prior to the Scheduled Termination Date. Fixed Rate Counterparty Payments will be made net of any Hedging CDS Transaction Fixed Rate and any Short CDS Transaction Fixed Rate due to the Swap Counterparty. In addition, each Swap Counterparty will make certain other payments under the CDS Transactions and Hedging Short CDS Transactions to the Issuer at the times and in the amounts described herein, including any Trading Gain Payments, any Fixed Rate Shortfall Reimbursement Payment, any Writedown Reimbursement Payment Amount and any Principal Shortfall Reimbursement Payment Amount.

Each Credit Default Swap, other than those referencing a CDO Security, will have a "Fixed Cap." Under a "Fixed Cap", upon the occurrence of any interest shortfall with respect to the related Reference Obligation, the fixed rate amount payable by the Swap Counterparty to the Issuer (or, with respect to any Short CDS Transaction, by the Issuer to a Swap Counterparty) will be reduced by an amount equal to such interest shortfall (a "**Fixed Rate Shortfall Amount**"), such reduction amount not to exceed the fixed rate amount. Each Credit Default Swap referencing a CDO Security, will have either a "Fixed Cap" or "Variable Cap." Under a "Variable Cap", upon the occurrence of any interest shortfall with respect to the related Reference Obligation, the Fixed Rate Shortfall Amount payable by the Issuer will be calculated in accordance with the Variable Cap description under the related CDS Transaction or Hedging Short CDS Transaction and may be greater than the fixed rate amount. To the extent the Fixed Rate Shortfall Amount exceeds the fixed rate amount payable by the Swap Counterparty, the Issuer shall be obligated to pay the difference to the Swap Counterparty.

Except with respect to Reference Obligations that are CMBS Securities (which will not accrue interest on any Fixed Rate Shortfall Amount), interest will accrue on any Fixed Rate Shortfall Amount at a rate equal to LIBOR *plus* the fixed rate as specified in the CDS Transaction. If any amount in satisfaction of the interest shortfall which gave rise to any Fixed Rate Shortfall Amount, including interest accrued thereon, is later paid with respect to a Reference Obligation, the Swap Counterparty will pay such amount, or in certain circumstances a portion of such amount (subject to the cumulative Fixed Rate Shortfall Amount being not less than the cumulative interest shortfall of such Reference Obligation), to the Issuer as a reimbursement of such Fixed Rate Shortfall Amount (a "**Fixed Rate Shortfall Reimbursement Payment**"). Fixed Rate Shortfall Reimbursement Payments will not exceed the cumulative Fixed Rate Shortfall Amount (*plus* any interest thereon) previously withheld from the Issuer relating to such Reference Obligation.

In addition, the Swap Counterparty will pay the Issuer any Principal Shortfall Reimbursement Payment Amount and Writedown Reimbursement Payment Amount as further described herein under "Security For the Notes—The Credit Default Swaps." The Swap Counterparty may be required to make payments to the Issuer in connection with the entering into of a CDS Transaction which references an index of Reference Obligations at a discount.

Issuer Swap Payments

As described above, the Issuer may be required to make Trading Loss Payments to the Swap Counterparty in connection with the termination or to a Qualifying CDS Transferee in connection with the assignment of any Credit Default Swap. In addition, the Issuer may be required to make payments to the Swap Counterparty in connection with the entering into of a CDS Transaction which references an index of Reference Obligations at a premium.

As described above with respect to the CDS Transactions where "Variable Cap" is applicable, to the extent the Fixed Rate Shortfall Amount exceeds the fixed rate amount payable by the Swap Counterparty, the Issuer shall be obligated to pay the difference to the Swap Counterparty. The Issuer will pay such amount first from amounts on deposit in the Note Collection Account. To the extent the amounts on deposit in the Note Collection Account have been reduced to zero, the Issuer will pay such amount from amounts on deposit in the Principal Account and the UA Collateral Sub-Account. To the extent the amounts on deposit in the Principal Account and the UA Collateral Sub-Account have been reduced to zero, the Issuer may fund such amount by drawing on the Class A-1LA Unfunded Notes, in accordance with the Indenture and the Class A-1LA Revolving Note Purchase Agreement. See "Description of the Notes—Payments on the Notes; Priority of Distribution—Certain Payments on the CDS Transactions."

The Issuer will also make certain payments to the Swap Counterparty following the occurrence of a Credit Event with respect to a Reference Obligation as described herein.

Upon the occurrence of a Credit Event with respect to a Reference Obligation, the Swap Counterparty may elect to deliver such Reference Obligation to the Issuer, in exchange for which the Issuer will pay to the Swap Counterparty a Physical Settlement Amount (as defined herein); *provided, however*, with respect to a "Failure to Pay Principal" Credit Event or "Writedown" Credit Event only, even if the Swap Counterparty elects not to deliver such Reference Obligation to the Issuer, the Issuer will be required

to pay to the Swap Counterparty an amount equal to (i) the product of amount of the relevant principal shortfall (i.e. the Expected Principal Amount *less* the Actual Principal Amount (as defined in the related Confirmation)), the related Reference Price and the Applicable Percentage (as defined in the related Confirmation) (the "**Principal Shortfall Amount**") or (ii) the product of the amount of the relevant writedown, the related Reference Price and the Applicable Percentage (the "**Writedown Amount**"), as the case may be, resulting from such Credit Event.

The Notional Amount of the CDS Transaction will be subject to an adjustment in the circumstances described herein. See "Security for the Notes—The Credit Default Swaps." The Swap Counterparty has no obligation to deliver the Reference Obligation in the event of a Credit Event but, other than as described above with respect to a "Failure to Pay Principal" or "Writedown" Credit Event, the Issuer will not be required to pay a Physical Settlement Amount absent such delivery. See "Security for the Notes—The Credit Default Swaps—Issuer Swap Payments."

In addition, the Issuer may be required to pay to the TRS Swap Counterparty any LIBOR Breakage Amounts (as defined herein) or Hedging Amounts (as defined herein) as described in "Security for the Notes—The Total Return Swap—Replacement of Transactions Upon Occurrence of a Collateral Excess" and "—Hedging Amounts," respectively.

The Issuer will fund Trading Loss Payments, Physical Settlement Amounts, Principal Shortfall Amounts, Writedown Amounts, LIBOR Breakage Amounts and Hedging Amounts (collectively, the "**Issuer Swap Payments**") by liquidating Eligible Investments in the Principal Account and Underlying Assets in the UA Collateral Sub-Account in accordance with the terms of the Indenture, in an amount equal to the amount of such Issuer Swap Payment. To the extent the amounts on deposit in the Principal Account and the UA Collateral Sub-Account (and, solely with respect to "Variable Cap" Fixed Rate Shortfall Amounts, the Note Collection Account) have been reduced to zero, the Issuer may fund any "Variable Cap" Fixed Rate Shortfall Amounts, Physical Settlement Amounts, Principal Shortfall Amounts, Trading Loss Payments or Writedown Amounts that are due, by drawing on the Class A-1LA Unfunded Notes, in accordance with the Indenture and the Class A-1LA Revolving Note Purchase Agreement. See "Security for the Notes—The Credit Default Swaps."

Credit Events

With respect to each Credit Default Swap, a "**Credit Event**" means the occurrence of any of the events specified in such Credit Default Swap as a Credit Event with respect to such Reference Obligation on or before the Scheduled Termination Date. The Credit Events may vary depending on the type of Reference Obligation but include (i) Failure to Pay Principal, (ii) Writedown, (iii) Distressed Ratings Downgrade and (iv) Failure to Pay Interest (for Reference Obligations which are CDO Securities only). See "Security for the Notes—The Credit Default Swaps—Credit Events."

Senior Prepaid Swap Agreements

On the Closing Date, the Issuer will enter into one or more derivative transactions described below with The Bank of New York as a counterparty (the "**Senior Prepaid Swap Counterparty**"), on a notional amount equal to U.S.$83,600,000 (the "**Senior Prepaid Swap Notional Amount**"). Such derivative transactions will be documented by one or more agreements (the "**Senior Prepaid Swap Agreements**"). Such derivative transactions will provide for an up-front payment to be made by the Senior Prepaid Swap Counterparty to the Issuer on the Closing Date in the amount equal to

U.S.$12,500,000. Such up-front payment will be used by the Issuer for the purposes set forth in "Use of Proceeds." The up-front payment will be repaid over the term of the Senior Prepaid Swap Agreements through the payment of floating payments by the Issuer to the Senior Prepaid Swap Counterparty. Pursuant to the Senior Prepaid Swap Agreements, the Issuer also will receive from the Senior Prepaid Swap Counterparty, on each Payment Date (ending on the Payment Date in January 2013), (i) floating payments on a notional amount equal to U.S.$83,600,000 (the "**Senior Prepaid Swap Hedge Notional Amount**") to hedge the rate reset risk on the swap pursuant to which the up-front payment is made and (ii) if three-month LIBOR for the related calculation period is less than 1.955%, fixed payments. See "Security for the Notes—The Senior Prepaid Swap Agreements."

Total Return Swap

The TRS Swap Counterparty and the Issuer will enter into separate total return swap transactions in respect of Underlying Assets pursuant to a 1992 ISDA Master Agreement (Multicurrency-Cross Border), including the schedule thereto (the "**TRS Master Agreement**"), between the TRS Swap Counterparty and the Issuer, and a separate confirmation (each, a "**TRS Confirmation**" and, together with the TRS Master Agreement, the "**Total Return Swap**") evidencing each total return swap transaction (each, a "**Transaction**"). On the Closing Date, the Issuer is expected to purchase Underlying Assets that meet the Underlying Assets Criteria, each of which will be the subject of a total return swap transaction under the Total Return Swap.

Pursuant to the Total Return Swap, the Issuer will pay to the TRS Swap Counterparty the TRS Underlying Transaction Interest Distribution with respect to each Underlying Asset and the TRS Swap Counterparty will pay to the Issuer the TRS LIBOR Payment.

In connection with any replacement, increase or reduction of a Transaction as described under "Security for the Notes—The Total Return Swap—Replacement of Transactions Upon Occurrence of a Collateral Shortfall," "—Replacement of Transactions Upon Occurrence of a Collateral Excess," "—Replacement of Transactions Upon Occurrence of a Ratings Event," "—Elective Replacement" and "—Voting Rights," if the Issuer so elects, the TRS Swap Counterparty (or a designee of the TRS Swap Counterparty, which may be an affiliate of the TRS Swap Counterparty) will purchase on the applicable Replacement Date all or a portion of the Underlying Asset(s) with respect to the Transaction(s) being replaced or reduced from the Issuer at par.

With respect to any Underlying Asset with respect to a Transaction being replaced or reduced that the Issuer did not elect to sell to the TRS Swap Counterparty as described above, the TRS Calculation Agent (as defined herein) will calculate the Final Price of each Underlying Asset for which the outstanding principal amount is greater than zero. The "**Final Price**" will be determined based on the highest firm bid (excluding accrued interest) for the purchase of the entire outstanding principal amount of each such Underlying Asset (or, in the case of a replacement Transaction, the portion of such Underlying Asset being reduced or replaced). The Issuer will deliver each such Underlying Asset to the Highest Bidder (as defined below) for such Underlying Asset. See "Security for the Notes—The Total Return Swap—Replacement Procedures."

The Issuer will have the right to require the TRS Calculation Agent to request as many as three firm bids for the Underlying Asset, from each of three market-makers or other market participants designated by the Issuer and

agreed to by the TRS Calculation Agent. Except in connection with an elective replacement of a Transaction or a Clean-up Call (as defined below), the TRS Swap Counterparty or its designated affiliate may be one of such three market-makers. If no firm bid is obtained for an Underlying Asset then the Final Price shall be deemed to be zero percent. The party that provides the highest firm bid will be the "**Highest Bidder**."

If, based on the Final Price, the Final Total Return Amount (as defined herein) for an Underlying Asset is positive, the Issuer will pay to the TRS Swap Counterparty such Final Total Return Amount. If the Final Total Return Amount is negative, the TRS Swap Counterparty will pay to the Issuer the absolute value of such amount. The TRS Swap Counterparty will not be required to pay the Final Total Return Amount on any Termination Date until the Issuer confirms that it will deliver or cause to be delivered the related Underlying Asset in accordance with the Total Return Swap. See "Security for the Notes—The Total Return Swap—Payment of Final Total Return Amount."

The TRS Swap Counterparty may terminate any Transaction under the Total Return Swap upon the occurrence of a Voting Rights Event, an Underlying Asset Withholding Event or a Credit Enhancement Event (each as defined herein). See "Security for the Notes—The Total Return Swap—Optional Termination," "—Underlying Asset Withholding Event," "—Voting Rights" and "—Credit Enhancement." Furthermore, the TRS Swap Counterparty or the Issuer may terminate all of the Transactions if the aggregate outstanding principal amount of all Transactions is less than U.S.$20,000,000 (such event, a "**Clean-up Call**"). The Voting Rights Events, Underlying Asset Withholding Events, Credit Enhancement Events and Clean-up Calls are collectively referred to herein as "**Optional Termination Events**." See "—Optional Termination." If more than two Optional Termination Events resulting from a Voting Rights Event have occurred as a result of an error or omission of the Trustee, then the TRS Swap Counterparty shall have the right to terminate all Transactions unless the Issuer causes the Trustee to be replaced in accordance with the Indenture within 30 days following the third such Voting Rights Event.

The initial TRS Swap Counterparty is MLI. Upon the occurrence of certain downgrade events specified in the Total Return Swap, the Issuer may elect to replace the initial TRS Swap Counterparty. See "Security for the Notes—The Total Return Swap—Replacement TRS Swap Counterparty."

Liquidation of Collateral

On or immediately prior to the Final Maturity Date of the Notes or in connection with any Optional Redemption, Auction Call Redemption or Tax Redemption, the Issuer (or the Collateral Manager acting pursuant to the Collateral Management Agreement on behalf of the Issuer), will liquidate or cause to be liquidated any Eligible Investments, Underlying Assets, any Delivered Obligations and any items of Non-Synthetic Portfolio Collateral and will assign or terminate or cause to be assigned or terminated the Credit Default Swaps and the Total Return Swap (as applicable). On the Final Maturity Date of the Notes or in connection with any Optional Redemption, Auction Call Redemption or Tax Redemption, all net proceeds from such liquidation and all available cash will be distributed in accordance with the priority of distribution provisions described herein.

Form, Denominations and Record Dates

The Notes (other than the Class A-1LA Revolving Notes) of each Class offered and sold outside the United States pursuant to Regulation S under the Securities Act of 1933, as amended (the "**Securities Act**"), initially will be

evidenced by a temporary global note which will be exchangeable for a permanent global note with respect to such Class as described herein. The Notes (other than the Class A-1LA Revolving Notes and the Class B-3L Notes) sold to Qualified Institutional Buyers (as defined herein) pursuant to Rule 144A under the Securities Act will be issued in book-entry form only through the facilities of The Depository Trust Company. The Class B-3L Notes offered and sold to Qualified Institutional Buyers pursuant to Rule 144A under the Securities Act will be issued only in definitive, fully registered form.

The Class A-1LA Revolving Notes offered and sold outside the United States pursuant to Regulation S under the Securities Act or offered and sold to Qualified Institutional Buyers pursuant to Rule 144A under the Securities Act will be issued only in definitive, fully registered form.

Subject to the foregoing, the Notes will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1 in excess thereof. No Notes will be issued in bearer form. The Notes are subject to certain restrictions on transfer. The record date (the "**Record Date**") for each Payment Date (including the Final Maturity Date) (as each such term is defined below) is the Business Day immediately preceding such Payment Date; *provided however*, if Definitive Notes are issued, the Record Date for such Definitive Notes shall be the fifteenth day preceding such Payment Date.

The Notes

Principal Payments. On each Payment Date after the Revolving Period, except as otherwise described herein, payments of principal on the Notes will be payable and the reduction of the Class A-1LA Unfunded Commitment will occur (to the extent of funds available therefor and in the order of priority described herein), *pro rata*, until a Sequential Trigger Event has occurred. Upon the occurrence of a Sequential Trigger Event, principal on the Notes will be payable (to the extent of funds available therefor and in the order of priority described herein) first, *pro rata*, to the Class A-1LA Funded Notes and the Class A-1LA Unfunded Commitment, second, to the Class A-1LB Notes, third, to the Class A-2L Notes, fourth, to the Class A-3L Notes, fifth, to the Class A-4L Notes, sixth, to the Class B-1L Notes, seventh, to the Class B-2L Notes and eighth, to the Class B-3L Notes, in that order, until the Aggregate Principal Amount of each such Class or the Class A-1LA Unfunded Commitment, as applicable, has been reduced to zero. During the Revolving Period, principal prepayments may be made in respect of the Class A-1LA Funded Notes, as described herein.

Class A-1LA Revolving Notes

General. The Co-Issuers expect to issue approximately U.S.$609,000,000 in aggregate principal amount of Class A-1LA Revolving Notes to be secured by the Collateral pursuant to the Indenture. The Class A-1LA Revolving Notes will consist of the funded portion of the Class A-1LA Revolving Notes (the "**Class A-1LA Funded Notes**") and the unfunded portion of the Class A-1LA Revolving Notes (the "**Class A-1LA Unfunded Notes**"). As of the Closing Date, the aggregate principal amount of the Class A-1LA Funded Notes is expected to be zero.

The Co-Issuers, the Trustee and the Holders of the Class A-1LA Revolving Notes (the "**Class A-1LA Noteholders**") will enter into a purchase agreement (the "**Class A-1LA Revolving Note Purchase Agreement**"), pursuant to which the Class A-1LA Noteholders will make certain payments (the "**Class A-1LA Note Fundings**") (in an aggregate amount not in excess of the Class A-1LA Unfunded Commitment) to the Issuer (for deposit into the account designated from time to time by the Trustee), on any Business Day upon two Business Days prior written request by the Issuer. Each such funding will be

made by the Class A-1LA Noteholders based on each Holder's Pro Rata Share of the Class A-1LA Unfunded Commitment, attributable to each Class A-1LA Noteholder.

Prior to the Final Maturity Date and in accordance with the Class A-1LA Revolving Note Purchase Agreement, so long as the Class A-1LA Unfunded Commitment is greater than zero, the Issuer may request Class A-1LA Note Fundings as necessary for the Issuer to pay Fixed Rate Shortfall Amounts (solely with respect to "Variable Cap" CDS Transactions), any Physical Settlement Amounts, Principal Shortfall Amounts, Trading Loss Payments or Writedown Amounts to the Swap Counterparty pursuant to the Credit Default Swap Agreement to the extent each of the Principal Account Amount and the amount on deposit in the UA Collateral Sub-Account (and, solely with respect to any such Fixed Rate Shortfall Amounts, the Note Collection Account) has been reduced to zero.

Interest. The Class A-1LA Funded Notes will provide for the payment of periodic interest (the "**Class A-1LA Funded Interest Amount**") (to the extent funds are available therefor as described herein) for each Periodic Interest Accrual Period (as defined herein) at the rate of 0.34% *per annum* above the London interbank offered rate for three-month U.S. dollar deposits (or, for the period from the Closing Date to the first Payment Date, as described herein) ("**LIBOR**"), determined as described herein (the "**Class A-1LA Funded Note Rate**") on each Payment Date, commencing with the April 2007 Payment Date. The Class A-1LA Unfunded Notes will provide for payment of periodic interest (the "**Class A-1LA Unfunded Interest Amount**") (to the extent funds are available therefor as described herein) for each Periodic Interest Accrual Period at a rate of 0.20% *per annum* (the "**Class A-1LA Unfunded Note Rate**") on each Payment Date, commencing with the April 2007 Payment Date. Interest will be calculated on the basis of a year of 360 days and the actual number of days elapsed.

Principal. Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class A-1LA Revolving Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class A-1LA Funded Notes has been paid in full and the Class A-1LA Unfunded Commitment is reduced to zero. The Issuer may, however (subject to the priority of payments), at any time, prepay funds advanced by the Class A-1LA Noteholders and redraw any such amounts. The Aggregate Principal Amount of the Class A-1LA Revolving Notes will be due and payable on each Payment Date during the Amortization Period and on the Final Maturity Date in the manner set forth herein under "Description of the Notes—Payments on the Notes; Priority of Distributions."

Class A-1LB Notes

General. The Co-Issuers expect to issue approximately U.S.$158,000,000 in aggregate principal amount of Class A-1LB Notes to be secured by the Collateral pursuant to the Indenture.

Interest. **No interest will be payable in respect of the Class A-1LB Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount due to them on such Payment Date and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A-1LA Revolving Notes has been paid in full.**

The Class A-1LB Notes will provide for the payment of periodic interest ("**Periodic Interest**" with respect to the Class A-1LB Notes) (to the extent of

funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 0.45% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class A-1LB Notes) on each Payment Date, commencing with the April 2007 Payment Date. Interest will be calculated on the basis of a year of 360 days and the actual number of days elapsed.

Principal. Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class A-1LB Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class A-1LB Notes has been paid in full. All outstanding principal of the Class A-1LB Notes, together with the other amounts described herein, will be due and payable on the Final Maturity Date. The Class A-1LB Notes are subordinated in right of payment to the Class A-1LA Revolving Notes to the extent described herein.

Class A-2L Notes

General. The Co-Issuers expect to issue approximately U.S.$70,000,000 in aggregate principal amount of Class A-2L Notes to be secured by the Collateral pursuant to the Indenture.

Interest. **No interest will be payable in respect of the Class A-2L Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount due to them on such Payment Date, the Holders of the Class A-1LB Notes have been paid the Cumulative Interest Amount due to them on such Payment Date and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A-1LA Revolving Notes and the Class A-1LB Notes has been paid in full.**

The Class A-2L Notes will provide for the payment of periodic interest ("**Periodic Interest**" with respect to the Class A-2L Notes) (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 0.54% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class A-2L Notes) on each Payment Date, commencing with the April 2007 Payment Date. Interest will be calculated on the basis of a year of 360 days and the actual number of days elapsed.

Principal. Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class A-2L Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class A-2L Notes has been paid in full. All outstanding principal of the Class A-2L Notes, together with the other amounts described herein, will be due and payable on the Final Maturity Date. The Class A-2L Notes are subordinated in right of payment to the Class A-1LA Revolving Notes and the Class A-1LB Notes to the extent described herein.

Class A-3L Notes

General. The Co-Issuers expect to issue approximately U.S.$59,000,000 in aggregate principal amount of Class A-3L Notes to be secured by the Collateral pursuant to the Indenture.

Interest. **No interest will be payable in respect of the Class A-3L Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA**

Unfunded Interest Amount due to them on such Payment Date, the Holders of the Class A-1LB Notes and the Class A-2L Notes have been paid the Cumulative Interest Amount due to them on such Payment Date and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A-1LA Revolving Notes, the Class A-1LB Notes and the Class A-2L Notes has been paid in full.

The Class A-3L Notes will provide for the payment of periodic interest ("**Periodic Interest**" with respect to the Class A-3L Notes) (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 1.45% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class A-3L Notes) on each Payment Date, commencing with the April 2007 Payment Date. Interest will be calculated on the basis of a year of 360 days and the actual number of days elapsed.

The failure to pay interest on the Class A-3L Notes will not constitute an Event of Default so long as any Class A-1LA Revolving Notes, Class A-1LB Notes or Class A-2L Notes remain Outstanding.

Principal. Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class A-3L Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class A-3L Notes has been paid in full. All outstanding principal of the Class A-3L Notes, together with the other amounts described herein, will be due and payable on the Final Maturity Date. The Class A-3L Notes are subordinated in right of payment to the Class A-1LA Revolving Notes, the Class A-1LB Notes and the Class A-2L Notes to the extent described herein.

Class A-4L Notes

General. The Co-Issuers expect to issue approximately U.S.$10,000,000 in aggregate principal amount of Class A-4L Notes to be secured by the Collateral pursuant to the Indenture.

Interest. **No interest will be payable in respect of the Class A-4L Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount due to them on such Payment Date, the Holders of the Class A-1LB Notes, the Class A-2L Notes and the Class A-3L Notes have been paid the Cumulative Interest Amount due to them on such Payment Date and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes and the Class A-3L Notes has been paid in full.**

The Class A-4L Notes will provide for the payment of periodic interest ("**Periodic Interest**" with respect to the Class A-4L Notes) (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 2.75% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class A-4L Notes) on each Payment Date, commencing with the April 2007 Payment Date. Interest will be calculated on the basis of a year of 360 days and the actual number of days elapsed.

The failure to pay interest on the Class A-4L Notes will not constitute an Event of Default so long as any Class A-1LA Revolving Notes, Class A-1LB Notes, Class A-2L Notes or Class A-3L Notes remain Outstanding.

	Principal. Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class A-4L Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class A-4L Notes has been paid in full. All outstanding principal of the Class A-4L Notes, together with the other amounts described herein, will be due and payable on the Final Maturity Date. The Class A-4L Notes are subordinated in right of payment to the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes and the Class A-3L Notes to the extent described herein.
Class B-1L Notes	*General.* The Co-Issuers expect to issue approximately U.S.$32,000,000 in aggregate principal amount of Class B-1L Notes to be secured by the Collateral pursuant to the Indenture. *Interest*. **No interest will be payable in respect of the Class B-1L Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount due to them on such Payment Date, the Holders of the Class A-1LB Notes, Class A-2L Notes, Class A-3L Notes and Class A-4L Notes have been paid the Cumulative Interest Amount due to them on such Payment Date and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes and the Class A-4L Notes has been paid in full.** The Class B-1L Notes will provide for the payment of periodic interest ("**Periodic Interest**" with respect to the Class B-1L Notes) (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 3.40% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class B-1L Notes) on each Payment Date, commencing with the April 2007 Payment Date. Interest will be calculated on the basis of a year of 360 days and the actual number of days elapsed. The failure to pay interest on the Class B-1L Notes will not constitute an Event of Default so long as any Class A-1LA Revolving Notes, Class A-1LB Notes, Class A-2L Notes, Class A-3L Notes or Class A-4L Notes remain Outstanding. *Principal*. Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class B-1L Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class B-1L Notes has been paid in full. All outstanding principal of the Class B-1L Notes, together with the other amounts described herein, will be due and payable on the Final Maturity Date. The Class B-1L Notes are subordinated in right of payment to the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes and the Class A-4L Notes to the extent described herein.
Class B-2L Notes	*General.* The Co-Issuers expect to issue approximately U.S.$10,000,000 in aggregate principal amount of Class B-2L Notes to be secured by the Collateral pursuant to the Indenture.

Interest. **No interest will be payable in respect of the Class B-2L Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount due to them on such Payment Date, the Holders of the Class A-1LB Notes, Class A-2L Notes, Class A-3L Notes, Class A-4L Notes and Class B-1L Notes have been paid the Cumulative Interest Amount due to them on such Payment Date and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes, the Class A-4L Notes and the Class B-1L Notes has been paid in full.**

The Class B-2L Notes will provide for the payment of periodic interest ("**Periodic Interest**" with respect to the Class B-2L Notes) (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 3.85% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class B-2L Notes) on each Payment Date, commencing with the April 2007 Payment Date. Interest will be calculated on the basis of a year of 360 days and the actual number of days elapsed.

The failure to pay interest on the Class B-2L Notes will not constitute an Event of Default so long as any Class A-1LA Revolving Notes, Class A-1LB Notes, Class A-2L Notes, Class A-3L Notes, Class A-4L Notes or Class B-1L Notes remain Outstanding.

Principal. Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class B-2L Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class B-2L Notes has been paid in full. All outstanding principal of the Class B-2L Notes, together with the other amounts described herein, will be due and payable on the Final Maturity Date. The Class B-2L Notes are subordinated in right of payment to the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes, the Class A-4L Notes and the Class B-1L Notes to the extent described herein.

Class B-3L Notes

General. The Co-Issuers expect to issue approximately U.S.$9,000,000 in aggregate principal amount of Class B-3L Notes to be secured by the Collateral pursuant to the Indenture.

Interest. **No interest will be payable in respect of the Class B-3L Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount due to them on such Payment Date, the Holders of the Class A-1LB Notes, Class A-2L Notes, Class A-3L Notes, Class A-4L Notes, Class B-1L Notes and Class B-2L Notes have been paid the Cumulative Interest Amount due to them on such Payment Date and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes, the Class A-4L Notes, the Class B-1L Notes and the Class B-2L Notes has been paid in full.**

The Class B-3L Notes will provide for the payment of periodic interest ("**Periodic Interest**" with respect to the Class B-3L Notes) (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 6.50% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class B-3L Notes) on each

Payment Date, commencing with the April 2007 Payment Date. Interest will be calculated on the basis of a year of 360 days and the actual number of days elapsed.

The failure to pay interest on the Class B-3L Notes will not constitute an Event of Default so long as any Class A-1LA Revolving Notes, Class A-1LB Notes, Class A-2L Notes, Class A-3L Notes, Class A-4L Notes, Class B-1L Notes or Class B-2L Notes remain Outstanding.

Principal. Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class B-3L Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class B-3L Notes has been paid in full. All outstanding principal of the Class B-3L Notes, together with the other amounts described herein, will be due and payable on the Final Maturity Date. The Class B-3L Notes are subordinated in right of payment to the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes, the Class A-4L Notes, the Class B-1L Notes and the Class B-2L Notes to the extent described herein.

Application of Funds

On each Payment Date and on the Final Maturity Date, amounts available for payment of the Notes and distributions on the Preference Shares will be applied by the Trustee in the manner and order of priority set forth herein under "Description of the Notes—Payments on the Notes; Priority of Distributions."

Effective Date; Rating Confirmation Failure

The Issuer will request that each Rating Agency confirm after the Effective Date that it has not reduced or withdrawn (and not restored) the ratings assigned by it on the Closing Date to the Notes (a "**Rating Confirmation**"). If the Issuer is unable to obtain a Rating Confirmation by the 35th Business Day after the Effective Date (a "**Rating Confirmation Failure**"), on the next Payment Date and subsequent Payment Dates, Adjusted Collateral Interest Collections will be deposited in accordance with the priority of payments into the Principal Account to be invested in Eligible Investments, Underlying Assets, Credit Default Swaps and/or Non-Synthetic Portfolio Collateral, as determined by the Collateral Manager, until the aggregate amount of Eligible Investments and Non-Synthetic Portfolio Collateral is increased to the extent necessary to receive a Rating Confirmation. Notwithstanding the foregoing, to the extent each of the Collateral Quality Tests and the criteria described herein under "Security for Notes—Changes in Composition of Portfolio Collateral" are satisfied, no Rating Confirmation will be required nor requested from Moody's. In addition, on or after the Effective Date, the Collateral Manager on behalf of the Issuer may propose a Proposed Plan to the Rating Agencies to obtain a Rating Confirmation. If a Proposed Plan is approved by the Rating Agencies, the Issuer will be able to take the actions specified in such Proposed Plan.

Optional Redemption

Subject to certain conditions, including that the Aggregate Notional Amount of the Credit Default Swaps and the Class A-1LA Unfunded Commitment on the Optional Redemption Date will be reduced to zero and the Balance of Eligible Investments, Underlying Assets and cash in the Note Collection Accounts (after liquidating all Underlying Assets, items of Non-Synthetic Portfolio Collateral and any Delivered Obligations) and the Expense Reimbursement Account are sufficient to pay the Optional Redemption Price, the Notes are redeemable by the Issuer, at the direction of the Majority Preference Shareholders (with the consent of the Collateral Manager) (an "**Optional Redemption**"), in whole but not in part, on any Payment Date on

	or after the Payment Date occurring in January 2011 (the "**Optional Redemption Date**," which date shall then be considered the Final Maturity Date) at a price equal to the Optional Redemption Price. See "Description of the Notes—Optional Redemption."
<u>Tax Redemption</u>	Subject to certain conditions, including that the Aggregate Notional Amount of the Credit Default Swaps and the Class A-1LA Unfunded Commitment on the Tax Redemption Date will be reduced to zero and the Balance of Eligible Investments, Underlying Assets and cash in the Note Collection Accounts (after liquidating all Underlying Assets, items of Non-Synthetic Portfolio Collateral and any Delivered Obligations) and the Expense Reimbursement Account are sufficient to pay the Tax Redemption Price, the Notes are redeemable at the option of the Issuer, in whole but not in part, on any Payment Date (such date, a "**Tax Redemption Date**," which date shall be considered the Final Maturity Date), at the direction of either (i) the Holders of a majority in Aggregate Principal Amount of any Class of Notes that, as a result of the occurrence of a Tax Event (as defined herein), has not received 100% of the aggregate amounts otherwise payable to such Class on any Payment Date (each such Class, an "**Affected Class**") or (ii) the Majority Preference Shareholders (a "**Tax Redemption**"). No Tax Redemption may be effected, however, unless a Tax Event shall have occurred and the Tax Materiality Condition is satisfied. See "Description of the Notes—Tax Redemption."
<u>Auction Call Redemption</u>	On the Payment Date occurring in January 2014 (the "**First Auction Call Date**") and on each subsequent Payment Date (a "**Subsequent Auction Call Date**," and together with the First Auction Call Date, each, an "**Auction Date**"), the Notes will be redeemable (an "**Auction Call Redemption**"), in whole but not in part, from the proceeds from the Auction (defined below) of all of the Credit Default Swaps, Non-Synthetic Portfolio Collateral, any Delivered Obligations and the Balance of Eligible Investments, Underlying Assets and cash in the Note Collection Accounts and the Expense Reimbursement Account, at the Auction Call Redemption Price (as defined herein). The definition of the Auction Call Redemption Price requires, with respect to any Payment Date through and including the Payment Date occurring in January 2015, that in connection with an Auction a payment be made to the holders of Preference Shares of an amount sufficient to provide the holders of Preference Shares (after taking into account all prior payments) with an Internal Rate of Return of at least 10%; therefore, through and including the Payment Date occurring in January 2015, no Auction Call Redemption may occur unless the proceeds from the Auction are sufficient to pay to the holders of Preference Shares an amount sufficient to provide such holders with such Internal Rate of Return. Any auction conducted in connection with an Auction Call Redemption (an "**Auction**") shall be carried out in accordance with the auction procedures set forth in the Indenture (the "**Auction Procedures**"). Pursuant to the Indenture, the Issuer has designated the Trustee as the Auction Agent (in such capacity, the "**Auction Agent**") in connection with the sale of the Non-Synthetic Portfolio Collateral and any Delivered Obligations, and the assignment or termination of the Credit Default Swaps with respect to the Auction Call Redemption. If the Auction Call Redemption is not successfully completed on any Auction Date, the Auction Agent shall conduct an Auction in accordance with the Auction Procedures on each subsequent Auction Date until an Auction Call Redemption is completed successfully (which date shall be considered the Final Maturity Date). See "Description of the Notes—Auction Call Redemption."

Security for the Notes	The Notes (other than the Class B-3L Notes) are non-recourse obligations of the Co-Issuers and the Class B-3L Notes are non-recourse obligations of the Issuer, with recourse therefor limited solely to any funds and other assets available in the Trust Estate, including the Collateral, the Accounts and the proceeds therefrom. All payments on the Notes are subject to the priority of distribution provisions described herein. The Notes will be secured by the Trust Estate, consisting of substantially all property of the Issuer, including (i) the Non-Synthetic Portfolio Collateral, (ii) Eligible Investments and Underlying Assets in the Accounts, (iii) the Note Collection Accounts (including any sub-account thereof), (iv) the Issuer's rights under the Credit Default Swaps, the Total Return Swap, the Class A-1LA Revolving Note Purchase Agreement and the Senior Prepaid Swap Agreements, (v) the Issuer's rights under the Collateral Management Agreement, (vi) the Expense Reimbursement Account, (vii) the Closing Expense Account, (viii) the Delivered Obligation Account, (ix) the Custodial Account, (x) the Payment Account, (xi) the Initial Deposit Account, (xii) the TRS Counterparty Collateral Account, (xiii) the Hedging CDS Reserve Account, the Short CDS Reserve Account, the Class A-1LA Downgraded Holder Reserve Account and the Swap Posting Account and (xiv) all income and proceeds of the foregoing (collectively, the "**Trust Estate**" or the "**Collateral**"). References to the Note Collection Accounts, the Expense Reimbursement Account, the Closing Expense Account, the Delivered Obligation Account, the Custodial Account, the Payment Account and the Initial Deposit Account, when used with respect to the contents of the Trust Estate, shall include all proceeds of such Accounts and all Eligible Investments purchased with funds on deposit in such Accounts. Unless otherwise specified or as the context otherwise requires, all references to the Principal Account shall include the UA Collateral Sub-Account.
Accounts	All Fixed Rate Counterparty Payments and Fixed Rate Shortfall Reimbursement Payments made by a Swap Counterparty under the Credit Default Swaps, any interest and dividend income on Non-Synthetic Portfolio Collateral and Eligible Investments in the Principal Account, and any TRS LIBOR Payments will be deposited into the Collection Account (subject to certain exceptions with respect to Interest-Only Securities). These amounts will be available, to the extent described herein, for application in the manner and for the purposes as described herein. Funds held in the Collection Account will be invested as promptly as practicable in Eligible Investments. U.S.$277,500,000 from the proceeds of the offering of the Notes and the Preference Shares will be remitted to the UA Collateral Sub-Account on the Closing Date. The Trustee also may deposit into the UA Collateral Sub-Account, at any time, among other things, any Trading Gain Payments, any Writedown Reimbursement Payment Amounts, any Principal Shortfall Reimbursement Payment Amounts, any Short Physical Settlement Amounts, amounts received by the Issuer in connection with the entering into of a CDS Transaction which references an index of Reference Obligations and any principal collections or disposition proceeds from any items of Non-Synthetic Portfolio Collateral or Underlying Assets, as determined by the Collateral Manager. Amounts on deposit in the UA Collateral Sub-Account in excess of the Maximum TRS Notional Amount shall not be invested in Underlying Assets and shall not be part of the notional amount of the Total Return Swap and, therefore, will not be part of the TRS LIBOR Payment.

Among other things, the Trustee will remit to the Principal Account, to the extent such amounts have not been remitted to the UA Collateral Sub-Account, any Trading Gain Payments, any Writedown Reimbursement Payment Amounts, any Principal Shortfall Reimbursement Payment Amounts, any Short Physical Settlement Amounts, any principal collections or disposition proceeds from items of Non-Synthetic Portfolio Collateral, Underlying Assets or Delivered Obligations (other than accrued interest) and any amounts received by the Issuer in connection with the entering into of a CDS Transaction which references an index of Reference Obligations. Amounts remitted to the Principal Account will be invested in Eligible Investments selected by the Collateral Manager in its sole discretion. Amounts remitted to the Principal Account shall be available to pay any amounts due under the Credit Default Swaps and the Total Return Swap as set forth in the Indenture, to the extent of amounts available in the Principal Account. In addition, the Issuer will liquidate Eligible Investments in the Principal Account (including the UA Collateral Sub-Account) and such funds shall be available to pay any Issuer Swap Payments. Any amounts required to be paid by the Issuer in connection with the entering into of a CDS Transaction which references an index of Reference Obligations will be withdrawn by the Trustee from the Principal Account at the direction of the Collateral Manager. All interest earnings in the Principal Account (excluding the UA Collateral Sub-Account) paid to the Issuer will be remitted to the Collection Account.

All cash pledged to the Trustee on the Closing Date to be subsequently invested in Original Portfolio Collateral consisting of Non-Synthetic Portfolio Collateral or used to acquire Underlying Assets in connection with the Issuer entering into additional Credit Default Swaps, in each case on or before the Effective Date, will be deposited into the Initial Deposit Account. Funds held in the Initial Deposit Account will be invested in Eligible Investments at the direction of the Issuer.

A Closing Expense Account will be established by the Trustee for the payment of fees, commissions and expenses associated with the issuance of the Notes. A portion of the Closing Expense Account will be funded with the up-front payment due from the Senior Prepaid Swap Counterparty on the Closing Date. An Expense Reimbursement Account of U.S.$100,000 will be established by the Trustee for the payment of Issuer administrative expenses which become due and must be paid between Payment Dates. Any amounts withdrawn from the Expense Reimbursement Account will be reimbursed on each Payment Date in accordance with the priority of distribution provisions described herein.

Funds held in each of the Accounts will be invested in Eligible Investments.

In addition, (i) on the Closing Date the Issuer will establish the Hedging CDS Reserve Account, the Short CDS Reserve Account, the Class A-1LA Downgraded Holder Reserve Account, the Swap Posting Account, the Custodial Account, the Payment Account and the TRS Counterparty Collateral Account and (ii) after the Closing Date the Issuer may establish the Delivered Obligation Account. Each such account is described under "Security for the Notes—Accounts."

<u>The Trustee</u>

LaSalle Bank National Association, as Trustee under the Indenture, maintains its principal corporate trust offices at 181 West Madison Street, 32nd Floor, Chicago, Illinois 60602 Attention: CDO Trust Services Group–Webster CDO I, Ltd.

Independent Accountants	Ernst & Young, or any successor accounting firm selected pursuant to the Indenture, will periodically perform certain procedures with respect to the Collateral.
The Administrator	Maples Finance Limited (the "**Administrator**") will act as administrator for the Issuer in the Cayman Islands and will perform certain administrative and related services for the Issuer. The Administrator maintains its offices at P.O. Box 1093 GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.
Certain Federal Income Tax Consequences	*Federal Income Tax Consequences to U.S. Holders of Notes*. See "Certain U.S. Tax Considerations."
Certain ERISA Considerations	Fiduciaries and other persons investing "plan assets" of employee benefit or other plans subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), or Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**") (each, a "**Plan**"), should consider the fiduciary investment standards and prohibited transaction rules of ERISA and Section 4975 of the Code before authorizing an investment of "plan assets" of any Plan in the Notes. 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."
Rating of Notes	It is a condition to the issuance of the Notes that the Class A-1LA Revolving Notes and the Class A-1LB Notes be rated "AAA" by Standard & Poor's Ratings Services ("**S&P**") and "Aaa" by Moody's Investors Service, Inc. ("**Moody's**"), that the Class A-2L Notes be rated at least "AA" by S&P and at least "Aa2" by Moody's, that the Class A-3L Notes be rated at least "A" by S&P and at least "A2" by Moody's, that the Class P1 Combination Notes be rated at least "A2" by Moody's with respect to the Rated Balance of the Class P1 Combination Notes, that the Class A-4L Notes be rated at least "BBB+" by S&P and at least "Baa1" by Moody's, that the Class B-1L Notes be rated at least "BBB" by S&P and at least "Baa2" by Moody's, that the Class B-2L Notes be rated at least "BBB-" by S&P and at least "Baa3" by Moody's, that the Class B-3L Notes be rated at least "BB+" by S&P and at least "Ba1" by Moody's and that the Preference Shares be rated at least "B2" by Moody's. Each of S&P and Moody's is sometimes referred to herein as a "**Rating Agency**." **The ratings of the Notes by S&P address solely the likelihood of timely payment of the Periodic Interest Amount on and the ultimate payment of the Aggregate Principal Amount of the Class A-1LA Revolving Notes, the Class A-1LB Notes and the Class A-2L Notes and the ultimate payment of the Cumulative Interest Amount and the Aggregate Principal Amount of the Class A-3L Notes, the Class A-4L Notes and the Class B Notes. The ratings of the Notes by Moody's address the ultimate cash receipt of all required payments as provided by the governing documents, and are based on the expected loss to the Noteholders of each Class relative to the promise of receiving the present value of such payments. With respect to the Preference Shares, such rating by Moody's addresses solely the likelihood of the ultimate payment of the Preference Shares Stated Amount. A rating is not a recommendation to purchase, hold or sell securities, in as much as such rating does not comment as to market price**

	or suitability for a particular investor and may be subject to revision or withdrawal at any time by the assigning rating organization. See "Ratings." Security ratings are subject to revision or withdrawal at any time by the assigning Rating Agency. In the event that any rating initially assigned to the 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, nor will any other remedies be available to Noteholders. The Issuer has not requested a rating on the Notes by any rating agencies other than S&P and Moody's, although data with respect to the Collateral may have been provided to other rating agencies solely for informational purposes. There can be no assurance that, if a rating is assigned to the Notes by any other rating agency, such rating will be as high as that assigned by the applicable Rating Agencies.
Listing	Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for the Offering Circular to be approved. Application has been made to the Irish Stock Exchange for the Notes and Class P1 Combination Notes to be admitted to the Official List and trading on its regulated market. Such approval relates only to the Notes and Class P1 Combination Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange for the Preference Shares to be admitted to listing and trading on its Alternative Securities Market, which is not a regulated market (as defined by Article 1(13) of Directive 93/22/EEC).

RISK FACTORS

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

1. Non-recourse Obligations. The Notes will be non-recourse obligations of the Co-Issuers, payable solely from certain payments from the Swap Counterparty under the Credit Default Swaps, certain payments from the TRS Swap Counterparty under the Total Return Swap, certain payments from the Senior Prepaid Swap Counterparty under the Senior Prepaid Swap Agreements, the Non-Synthetic Portfolio Collateral, the Note Collection Accounts, the Expense Reimbursement Account, the Closing Expense Account, the Delivered Obligation Account, the Custodial Account, the Payment Account, the TRS Counterparty Collateral Account, the Hedging CDS Reserve Account, the Short CDS Reserve Account, the Class A-1LA Downgraded Holder Reserve Account, the Swap Posting Account and the Initial Deposit Account, including all proceeds of such Accounts and all Eligible Investments and Underlying Assets purchased with funds on deposit in such Accounts (collectively, the "**Trust Estate**" or the "**Collateral**") pledged to secure the Notes. The Issuer, as a special purpose Cayman Islands company, will have no significant assets other than the Collateral. The Co-Issuer will have no substantial assets, and no other person or entity except for the Co-Issuers will be obligated to make any payments on the Notes. Consequently, Holders of the Notes must rely solely upon distributions on the Collateral for the payment of amounts payable in respect of the Notes. If distributions on the Collateral 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, the Co-Issuers shall have no further obligation to pay such deficiency, and any sums outstanding and unpaid shall be extinguished.

2. Subordination. The Class A-1LB Notes are subordinated to the Class A-1LA Revolving Notes to the extent described herein, the Class A-2L Notes are subordinated to the Class A-1LA Revolving Notes and the Class A-1LB Notes to the extent described herein, the Class A-3L Notes are subordinated to the Class A-1LA Revolving Notes, the Class A-1LB Notes and the Class A-2L Notes to the extent described herein, the Class A-4L Notes are subordinated to the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes and the Class A-3L Notes to the extent described herein, the Class B-1L Notes are subordinated to the Class A Notes to the extent described herein, the Class B-2L Notes are subordinated to the Class A Notes and the Class B-1L Notes to the extent described herein and the Class B-3L Notes are subordinated to the Class A Notes, the Class B-1L Notes and the Class B-2L Notes to the extent described herein and, in the case of each Class of Notes, to the payment of certain fees and expenses as described herein. Payments of principal and interest on the Notes are subject to the priority of distribution provisions described herein. The failure to pay interest on the Class A-3L Notes will not constitute an Event of Default so long as any Class A-1LA Revolving Notes, Class A-1LB Notes or Class A-2L Notes remain Outstanding. The failure to pay interest on the Class A-4L Notes will not constitute an Event of Default so long as any Class A-1LA Revolving Notes, Class A-1LB Notes, Class A-2L Notes or Class A-3L Notes remain Outstanding. The failure to pay interest on the Class B-1L Notes will not constitute an Event of Default so long as any Class A Notes remain Outstanding. The failure to pay interest on the Class B-2L Notes will not constitute an Event of Default so long as any Class A Notes or Class B-1L Notes remain Outstanding. The failure to pay interest on the Class B-3L Notes will not constitute an Event of Default so long as any Class A Notes, Class B-1L Notes or Class B-2L Notes remain Outstanding. In addition, in the case of a Default or an Event of Default, so long as the Class A Notes remain Outstanding or, if the Class A-1LA Revolving Notes, the Class A-1LB Notes and the Class A-2L Notes are no longer Outstanding, the Class A-3L Notes, or, if the Class A-3L Notes are no longer Outstanding, the Class A-4L Notes, or, if the Class A-4L Notes are no longer Outstanding, the Class B-1L Notes, or, if the Class B-1L Notes are no longer Outstanding, the Class B-2L Notes, or, if the Class B-2L Notes are no longer Outstanding, the Class B-3L Notes will be entitled to determine the remedies to be exercised under the Indenture. Remedies pursued by the Holders of Class A-1LA Revolving Notes, the Class A-1LB Notes and the Class A-2L Notes could be adverse to the interests of the Class A-3L Notes, the Class A-4L Notes and the Class B Notes. Once an Event of Default and acceleration have occurred, Holders of a Class of Notes are not entitled to be paid the Cumulative Interest Amount with respect thereto and the Aggregate Principal Amount thereof unless each more senior Class or Classes of Notes have been paid in full in cash.

3. Nature of the Portfolio Collateral; Ability to Acquire or Enter Into Additional Portfolio Collateral; Availability of Funds for Subordinate Payments. The Portfolio Collateral pledged to secure the Notes includes Non-Synthetic Portfolio Collateral and Credit Default Swaps (the Reference Obligations of which are Asset-Backed

Securities), which obligations are subject to credit, liquidity and interest rate risk. The amount and nature of collateral securing the Notes has been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Portfolio Collateral. If any deficiencies exceed such assumed levels, however, payment of the Notes could be adversely affected.

The Asset-Backed Securities comprising the Portfolio Collateral are expected to include CMBS Securities, CDO Securities, Prime RMBS Securities, Mid-Prime RMBS Securities, Sub-Prime RMBS Securities and other Asset-Backed Securities and related indices. Asset-Backed Securities are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities.

It is expected that, other than with respect to 3% of the Portfolio Collateral (by Net Obligation Amount), each item of Portfolio Collateral as of the Effective Date will be rated investment grade as of the date each such item of Portfolio Collateral is added to the Trust Estate. The Portfolio Collateral will include Asset-Backed Securities that are subordinate in right of payment and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets. In addition, the underlying documents for certain of such Asset-Backed Securities provide for deferral of interest payments if shortfalls occur in the pool of assets underlying such Asset-Backed Securities or for the diversion of payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool of assets underlying such Asset-Backed Securities exceeds certain levels or applicable overcollateralization or interest coverage tests are not satisfied without resulting in default or liquidation. As a result of the foregoing, such subordinated Asset-Backed Securities have a higher risk of loss than more senior classes of such securities. Additionally, as a result of the diversion of cash flow to more senior classes, the average life of such subordinated Asset-Backed Securities may lengthen. Subordinated Asset-Backed Securities generally do not have the right to trigger an event of default or vote on or direct remedies following a default until the more senior securities are paid in full. Finally, because subordinated Asset-Backed Securities may represent a relatively small percentage of the size of the asset pool being securitized, the impact of a relatively small loss on the overall pool may be substantial on the individual Asset-Backed Security.

Although the Issuer is permitted to invest in Asset-Backed Securities of certain foreign obligors, the Issuer may find that, as a practical matter, these investment opportunities or investments in obligations of issuers located in certain countries are not available to it for a variety of reasons, including the limitations imposed by the eligibility criteria in the Indenture.

None of the Portfolio Collateral will be guaranteed or insured by any governmental agency or instrumentality or, except for guaranteed monoline securities, by any other person. Distributions on the Portfolio Collateral will depend solely upon the amount and timing of payments and other collections on the related underlying assets.

In the event of the insolvency of an issuer of an item of Portfolio Collateral, payments made on such item of Portfolio Collateral could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency. Payments made under residential mortgage loans may also be subject to avoidance in the event of the bankruptcy of the borrower.

Any concentration of items of Portfolio Collateral in any one issuer, servicer, Specified Type or other characteristic may expose the Issuer to greater risk than would be the case if the Portfolio Collateral were more diversified, which may affect the Issuer's ability to make payments on the Notes. See "Security for the Notes—Portfolio Collateral."

The description of the Portfolio Collateral herein and the risks related thereto is general in nature and prospective investors should review the descriptions and risk factors relating to each item of Portfolio Collateral set forth in the underlying disclosure documents, transaction documents and servicing reports, copies of which are available for inspection upon request to the Initial Purchaser. PROSPECTIVE INVESTORS SHOULD ASSESS FOR THEMSELVES THE RISKS INHERENT IN SUCH ITEMS OF PORTFOLIO COLLATERAL.

There may be a limited trading market for the Credit Default Swaps entered into by the Issuer and the other items of Portfolio Collateral, and in certain instances there may be effectively no trading market therefor.

The market value of the Portfolio Collateral will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry, the financial condition of the issuers of the Non-Synthetic Portfolio Collateral and Reference Obligations and the credit quality of the collateral underlying the Non-Synthetic Portfolio Collateral and the Reference Obligations. A decrease in the market value of the Portfolio Collateral would adversely affect the terms on which CDS Transactions are assigned or terminated and the proceeds that could be obtained upon the sale of certain items of Portfolio Collateral and could ultimately affect the ability of the Issuer to effect a Tax Redemption, an Optional Redemption or an Auction Call Redemption, or to pay the principal of the Notes, or make distributions on the Preference Shares, upon the assignment or termination of the CDS Transactions and the liquidation of the Portfolio Collateral following the occurrence of an Event of Default.

It is expected that the Issuer will acquire all of the Initial Non-Synthetic Portfolio Collateral on the Closing Date from the Initial Purchaser, at prices agreed upon by the Issuer with the advice of the Collateral Manager. The price to be paid by the Issuer for such securities may be higher or lower, based on market conditions at the time of purchase by the Initial Purchaser, than the prices the Issuer would have paid had such securities all been purchased on the date such securities were sold to the Issuer. After the Closing Date, the Issuer with the advice of the Collateral Manager may acquire from or through various sources, including the Initial Purchaser, items of Portfolio Collateral at current market prices which will be negotiated by or on behalf of the Issuer at such time. The Indenture does not restrict the ability of the Issuer to invest in Portfolio Collateral on the basis of its market value.

As described herein, the Indenture provides that the Collateral Manager and the Issuer will seek to acquire (or commit to acquire) Non-Synthetic Portfolio Collateral with the Deposit and enter into (or commit to enter into) CDS Transactions so that collectively the Net Obligation Amount is at least equal to U.S.$1,000,000,000 (the "**Required Portfolio Collateral Amount**") (without giving effect to any reductions of that amount that may have resulted from scheduled principal payments or principal prepayments made with respect to any of the CDS Transactions or Non-Synthetic Portfolio Collateral on or before the Effective Date) no later than the Effective Date. During the Revolving Period, amounts received or made available in respect of principal or dispositions of items of Portfolio Collateral and deposited or made available in the Principal Account may be used to acquire Additional Portfolio Collateral, subject to satisfaction of the specified criteria. The ability of the Issuer to obtain such Original Portfolio Collateral or Additional Portfolio Collateral (and the rates and other terms thereof) and the terms on which such securities can be obtained and the rates and other terms obtained in connection with the investment of funds in Eligible Investments, may affect the timing and amount of payments received by the Noteholders. In connection with the assignment or termination of any Credit Default Swap, the Issuer may receive a Trading Gain Payment or may make a Trading Loss Payment. The ability of the Issuer to enter into the Additional Portfolio Collateral (and the rates and other terms thereof which satisfy the criteria described herein), as well as the rates and other terms obtained in connection with the investment of funds in Eligible Investments, may affect the timing and amount of payments received by the Noteholders.

The Credit Default Swaps present risks in addition to those resulting from direct investments in the Reference Obligations. The Issuer will have a contractual relationship only with the Swap Counterparties, and not with the relevant Reference Entities, except upon delivery of a Reference Obligation following the occurrence of a Credit Event. Under the Credit Default Swaps, none of the Issuer, the Trustee, the Collateral Manager, the Holders of the Notes or any other entity will have any rights to acquire from the Swap Counterparties (or to require the Swap Counterparties to transfer, assign or otherwise dispose of) any interest in any specific obligation of any Reference Entity, unless and until a Credit Event has occurred and a Reference Obligation is delivered to the Issuer. Consequently, the Credit Default Swaps do not constitute a purchase or other acquisition or assignment of any interest in any Reference Obligation or reference entity thereunder and the Issuer will have no direct rights thereunder. In addition, in the event of the insolvency of a Swap Counterparty, the Issuer will be treated as a general creditor of such Swap Counterparty. As a result, the Issuer will be subject to the credit risk of the Swap Counterparties as well as that of the Reference Obligations. The Initial Swap Counterparty is, and one or more Swap Counterparties in the future may be, an affiliate of the Initial Purchaser, which relationship may create certain conflicts of interest. See "–Potential Conflicts of Interest."

The Credit Default Swaps are expected to consist of "pay as you go" credit default swaps. The obligation of the Issuer to make payments to a Swap Counterparty under a Credit Default Swap creates credit exposure to the related Reference Obligations (as well as to the default risk of the related Swap Counterparty). Following the

occurrence of a Credit Event, the Issuer may be required to pay to the Swap Counterparty an amount equal to the relevant Physical Settlement Amount in return for the Reference Obligation. The payment of any Physical Settlement Amount will be funded by the Issuer by drawing on amounts standing to the credit of the Principal Account, including the UA Collateral Sub-Account, to the extent there are no Eligible Investments in the Principal Account. To the extent the amounts on deposit in the Principal Account and the UA Collateral Sub-Account (and, solely with respect to "Variable Cap" Fixed Rate Shortfall Amounts, the Note Collection Account) have been reduced to zero, the Issuer may fund any "Variable Cap" Fixed Rate Shortfall Amounts, Physical Settlement Amounts, Principal Shortfall Amounts, Trading Loss Payments or Writedown Amounts that are due, by drawing on the Class A-1LA Unfunded Notes, in accordance with the Indenture and the Class A-1LA Revolving Note Purchase Agreement. In addition, each Credit Default Swap will require the Issuer, in its capacity as protection seller, to pay certain "floating amounts" to the Swap Counterparty equal to any Principal Shortfall Amounts, Writedown Amounts and interest shortfalls under the Reference Obligation upon the occurrence thereof. Although the Swap Counterparty, in its capacity as protection buyer, will be obligated to reimburse all or part of such payments to the Issuer if the Writedown Amounts of the related shortfalls are ultimately paid to holders of the Reference Obligations or if the related Reference Obligations are written up, the amounts available to the Issuer to make payments in respect of the Notes and Preference Shares will be reduced after payment by the Issuer of the relevant payment to the Swap Counterparty until the Issuer receives such reimbursement, if any, from the Swap Counterparty. Under the Credit Default Swaps, a writedown or failure to pay principal in respect of a Reference Obligation will entitle the Swap Counterparty, as protection buyer, to elect whether to require the Issuer to pay a Physical Settlement Amount or a protection payment under the related Credit Default Swap.

The Portfolio Collateral is required to have the characteristics and satisfy the criteria described herein under "Security for the Notes—The Portfolio Collateral" and "—Changes in Composition of Portfolio Collateral." However, there is no assurance that such criteria will be satisfied on any date and failure to satisfy any criteria is not an Event of Default under the Indenture.

The ability of the Issuer to purchase or enter into Additional Portfolio Collateral, or to terminate Hedging CDS Transactions or Short CDS Transactions which are hedged by Hedging Short CDS Transactions, is subject to satisfaction of the Collateral Quality Tests and certain other criteria described herein. Under the Indenture, the Collateral Manager will be permitted to select from a table that will be included in the Indenture, called the Collateral Quality Matrix, that provides a different group of thresholds for satisfying or otherwise determining the Collateral Quality Tests. The Co-Issuers and the Trustee may enter into supplemental indentures, upon satisfying the Rating Condition with respect to Moody's, and receiving consent from the Collateral Manager, but without obtaining the consent of any other Person, including any Noteholder or holder of Preference Shares, in order to add additional rows to the Collateral Quality Matrix (other than in accordance with the definition of "Collateral Quality Matrix" in the Indenture). There is no assurance that any changes to the Collateral Quality Matrix will not have a material effect on the minimum or maximum amounts required to satisfy each of such Collateral Quality Tests.

4. Default and Recovery Rates on Portfolio Collateral. There do not exist reliable sources of statistical information with respect to the default and recovery rates for the type of securities represented by the Portfolio Collateral. In any event, the historical performance of a market is not necessarily indicative of its future performance. Should increases in default rates or decreases in recovery rates occur with respect to the type of assets underlying the Portfolio Collateral, the actual default rates of the Portfolio Collateral may exceed (and may significantly exceed) or the actual recovery rates may be significantly less than, the hypothetical default rates and recovery rates, respectively, set forth herein under "Maturity and Prepayment Considerations." PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSIDER AND DETERMINE FOR THEMSELVES THE LIKELY LEVEL OF DEFAULTS AND THE LEVEL OF RECOVERIES ON THE PORTFOLIO COLLATERAL DURING THE TERM OF THE TRANSACTION.

5. Limited Provision of Information about Reference Entities. Except as described under "Security for the Notes—The Portfolio Collateral," the Noteholders will not have the right to obtain from a Swap Counterparty, the Initial Purchaser, the Issuer, the Collateral Manager or any of their affiliates information regarding the Reference Entities, any Reference Obligations or any other obligation of any Reference Entity. Neither the Initial Purchaser nor any of its affiliates will have any obligation to provide information about any Reference Entities or Reference Obligations to the Issuer, the Trustee or the Noteholders. None of the Issuer, the Trustee, the

Collateral Manager, the Swap Counterparty, the Initial Purchaser or any of their affiliates will provide to the Noteholders any other information on the Reference Entities or any Reference Obligations or the basis on which any payments under the Credit Default Swap will be determined or any other information regarding the Reference Pool. The Swap Counterparties will have no obligation to keep the Issuer, the Trustee or the Noteholders informed as to matters arising in relation to any Reference Entity or Reference Obligation, including whether or not circumstances exist under which there is a possibility of the occurrence of a Credit Event.

None of the Issuer, the Trustee or the Noteholders will have the right to inspect any records of a Swap Counterparty or the Reference Entities, and a Swap Counterparty will be under no obligation to disclose any further information or evidence regarding the existence or terms of any obligation of any Reference Entity or any matters arising in relation thereto or otherwise regarding any Reference Entity, any guarantor or any other person, unless and until a Credit Event has occurred and publicly available information exists in relation to the occurrence of such Credit Event.

The Issuer is not aware of a standardized method for measuring the likelihood of the occurrence of Credit Events. Furthermore, the historical experience of obligors comparable to the Reference Entities may not necessarily be indicative of the risk of Credit Events occurring with respect to the Reference Entities in the Reference Pool.

Investors should consult independent sources as to the condition and creditworthiness of the Reference Entities and the risks associated with an investment in obligations issued or guaranteed by the Reference Entities. Each investor in the Notes will be deemed to have represented and warranted to the Issuer, the Initial Purchaser, the Collateral Manager and a Swap Counterparty that it has made its own investigation of the condition and creditworthiness of the Reference Entities and has determined that it can bear any loss associated with an investment in the Notes as described herein.

6. Disposition of Portfolio Collateral by Collateral Manager Under Certain Circumstances. Under the Indenture, the Collateral Manager may only direct the hedging, assignment or termination of Credit Default Swaps or the disposition of items of Non-Synthetic Portfolio Collateral under certain limited circumstances. More specifically, the Collateral Manager may direct the disposition, hedging, assignment, subject to the written consent of the Swap Counterparty to any assignee, or termination of items of Portfolio Collateral (including Reference Obligations), which meet the definition of Defaulted Portfolio Collateral, Equity Portfolio Collateral, and, subject to satisfaction of the conditions set forth herein, Credit Risk Portfolio Collateral or Appreciated Portfolio Collateral as described herein under "Security for the Notes—Disposition of Portfolio Collateral" and "The Collateral Management Agreement." Furthermore, so long as the conditions set forth under "Security for the Notes—Disposition of Portfolio Collateral" are satisfied, the Collateral Manager may direct the hedging, assignment or termination of any Credit Default Swap or the sale of any item of Non-Synthetic Portfolio Collateral with respect to an item of Portfolio Collateral that is not Defaulted Portfolio Collateral, Equity Portfolio Collateral, Credit Risk Portfolio Collateral or Appreciated Portfolio Collateral, *provided* that the aggregate Adjusted Notional Amount of Credit Default Swaps, together with the Aggregate Principal Amount of items of Non-Synthetic Portfolio Collateral, hedged, sold, assigned or terminated during any twelve-month period does not exceed 20% of the Net Obligation Amount included in the Trust Estate on the first day of such period (or 20% of the Required Portfolio Collateral Amount with respect to any period commencing prior to the Effective Date). Furthermore, the Collateral Manager's ability to dispose of Non-Synthetic Portfolio Collateral or hedge, assign or terminate CDS Transactions may be subject to greater restrictions if any Class of Notes is downgraded. See "Security for the Notes—Disposition of Portfolio Collateral." **Notwithstanding such restrictions and satisfaction of the conditions set forth in the Indenture, the disposition of items of Non-Synthetic Portfolio Collateral or termination or assignment of Credit Default Swaps by the Collateral Manager could result in losses by the Issuer, which losses may result in the reduction or withdrawal of the rating of any or all of the Notes by any of the Rating Agencies.** The Collateral Manager will not be permitted to engage in trading activity on behalf of the Issuer with respect to the Reference Pool or otherwise cause the Issuer to enter into credit default swap transactions with any party other than the Swap Counterparty, other than as described herein. In addition, circumstances may exist under which the Collateral Manager may believe that it is in the best interests of the Issuer to dispose of Portfolio Collateral, but the Issuer will not be permitted to do so under the restrictions and conditions of the Indenture.

7. Short CDS Transactions. Under each Short CDS Transaction, the Issuer will be required to pay to the related Swap Counterparty a Short CDS Transaction Fixed Rate and such Swap Counterparty will be required to pay Short Physical Settlement Amounts to the Issuer following the occurrence of a credit event under such Short

CDS Transaction specified in the related Master Agreement and Confirmation. To the extent a Short CDS Transaction Fixed Rate is due to a Swap Counterparty that owes the Issuer a Fixed Rate Counterparty Payment, the amount of such Fixed Rate Counterparty Payment will be reduced by any Short CDS Transaction Fixed Rate which will, in turn, reduce the amounts available to make payments on the Notes. If the Short CDS Transaction Fixed Rate due to a Swap Counterparty exceeds the Fixed Rate Counterparty Payment due from such Swap Counterparty (or is due to a Swap Counterparty that does not owe the Issuer a payment), the Issuer will pay such amount from amounts on deposit in the Note Collection Account. If the actual levels of credit events on Short CDS Transactions occur less frequently or later than anticipated at the time entered into, the Issuer will be obligated to continue making Short CDS Transaction Fixed Rate payments to the Swap Counterparty and the payment of the Notes may be adversely affected.

8. Effect of Credit Events on Performance of the Notes. The terms of the CDS Transactions and the initial level of collateral securing the Notes have been established to provide for payment of principal and periodic interest on the Notes despite an assumed level and timing of Credit Events and recoveries with respect to the CDS Transactions. If Credit Events under the CDS Transactions exceed such assumed levels or recoveries are less than those assumed, payments with respect to the Notes will be adversely affected. Prospective purchasers of the Notes should consider and determine for themselves the likely levels of Credit Events relating to the CDS Transactions during the term of the Notes.

9. Early Termination of Credit Default Swaps. In certain circumstances, a Credit Default Swap may be terminated early as a result of an Event of Default or Termination Event thereunder. If so, the "Market Quotation" and "Second Method" will apply, as set forth in the related Master Agreement, to value such Credit Default Swap. There can be no assurance that, upon such early termination by the Issuer or the Swap Counterparty, either that the Swap Counterparty would be required to make any termination payment to the Issuer or that, if it did make such a payment, the amount of the termination payment made by the Swap Counterparty would be sufficient to pay any amounts due in respect of the Notes. If the Issuer is required to make a termination payment to the Swap Counterparty, such termination payment may be substantial and may result in losses to the Noteholders and the holders of the Preference Shares. If a Master Agreement and the Credit Default Swaps thereunder are terminated and the Issuer is unable to enter into new Credit Default Swaps, the Issuer will no longer receive payments from the related Swap Counterparty and may have insufficient funds to make payments when due on the Notes and may have insufficient funds to redeem the Notes in full. See "Security for the Notes—Early Credit Default Swap Termination."

10. Early Termination of Total Return Swap. The TRS Swap Counterparty will have the option, exercisable in its sole discretion, to terminate any Transaction, in whole or in part, under the Total Return Swap affected by a Voting Rights Event, an Underlying Asset Withholding Event or a Credit Enhancement Event. In addition, the TRS Swap Counterparty or the Issuer, each in its sole discretion, may terminate all of the Transactions under the Total Return Swap if the aggregate outstanding principal amount of all such Transactions is less than U.S.$20,000,000. In addition, the TRS Swap Counterparty may terminate all of the Transactions under the Total Return Swap if a Voting Rights Event occurs three times. See "Security for the Notes—The Total Return Swap—Optional Termination." In the event of a partial or full termination of the Total Return Swap or Transactions thereunder and the failure by the TRS Swap Counterparty to perform its payment obligations under the Total Return Swap, the Issuer would be exposed to a risk of loss on the sale of an Underlying Asset on each subsequent date on which the Issuer liquidates any Underlying Asset in the Principal Account (including the UA Collateral Sub-Account) in order to pay the principal amount of the Notes. If the TRS Swap Counterparty or the Issuer terminates the Total Return Swap or Transactions thereunder, in part or in whole, the Issuer may be required to invest in Eligible Investments, which may yield less than LIBOR *minus* 0.01%. The Issuer may attempt to enter into a TRS Replacement Agreement, but there can be no assurance that the Issuer will be able to enter into a TRS Replacement Agreement or that any such TRS Replacement Agreement will yield LIBOR *minus* 0.01%. As a result, the termination of the Total Return Swap or Transactions thereunder (in whole or in part) is likely to result in a reduction of the Collateral Interest Collections that would otherwise be available to pay expenses of the Issuer and interest on the Notes. In addition, as further described herein, in connection with a failure to deliver an Underlying Asset by the Issuer on a Termination Date, the Issuer will be required to pay the TRS Swap Counterparty an amount equal to the TRS Swap Counterparty's loss in respect of such failed delivery.

11. Credit Exposure to Underlying Assets. In certain circumstances, such as a failure by the TRS Swap Counterparty to perform its payment obligations under the Total Return Swap, the Noteholders may be exposed to the credit risk of the Underlying Assets and the risk that, upon liquidation, the proceeds of the Underlying Assets will be less than their par or principal amount. After the Closing Date, the TRS Swap Counterparty will have the right under the Total Return Swap to direct the Issuer to exchange all or any portion of the Underlying Assets for Underlying Assets rated "AAA" or "A-1+" by Standard & Poor's and "Aaa" or "P-1" by Moody's. The TRS Swap Counterparty also may terminate the Total Return Swap or certain Transactions thereunder, either in whole or with respect to specific Underlying Assets, in which event the Issuer may be exposed to both the credit risk of that asset and the risk that, upon liquidation, the proceeds of an Underlying Asset will be less than its initial price.

This Offering Circular does not provide detailed information with respect to the Underlying Assets or with respect to any rights or obligations, legal, financial or otherwise, arising thereunder. Any information concerning the Underlying Assets or the issuer thereof that is set forth herein is based upon publicly available sources, has not been independently checked or verified by the Initial Purchaser, the Swap Counterparties, the TRS Swap Counterparty, the Collateral Manager, the Trustee, the Co-Issuers or anyone else, and does not purport to be complete or to include information which may be material to a prospective investor in the Notes. Prospective purchasers of the Securities are urged to undertake their own investigation of these and other matters relating to the Underlying Assets.

12. Tax Considerations Relating to Total Return Swap. It is possible that the U.S. Internal Revenue Service may treat the Total Return Swap as debt of MLI for U.S. Federal income tax purposes. Assuming such treatment and *provided* that MLI does not own any equity (for U.S. Federal income tax purposes) in the Issuer, it is generally expected that payments received by the Issuer on the Total Return Swap will not be subject to withholding taxes imposed by the United States.

The TRS Swap Counterparty and the Issuer have agreed to treat the Total Return Swap as notional principal contracts. However, because of the Issuer's and the TRS Swap Counterparty's rights under the Total Return Swap, it is possible that the IRS could recharacterize the Total Return Swap as other than the parties' agreed treatment of the same, including treating the Issuer as purchasing a credit linked note issued by the TRS Swap Counterparty. Any such recharacterization, if successful, could alter the timing or character of the Issuer's income and deductions that could affect U.S. holders of the Preference Shares. Prospective U.S. holders of Preference Shares should consult with their tax advisors as to the consequences of such possible recharacterization.

The imposition of withholding or other taxes on payments under the Total Return Swap could result in a Tax Event or a Swap Counterparty Tax Event (as each such term is defined in the Total Return Swap).

13. Restrictions on Transfer. The Notes have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or under any U.S. 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. There is no market for 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. No Note may be sold or transferred unless such sale or transfer (i) is exempt from the registration requirements of the Securities Act (for example, in reliance on exemptions provided by Rule 144A or Regulation S under 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 and (iii) does not cause either of the Co-Issuers to become subject to the registration requirements of the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"). See "Certain ERISA Considerations." Prospective transferees of the 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, Section 4975 of the Code and the Investment Company Act. The Co-Issuers will not provide registration rights to any purchaser of the Notes and neither of the Co-Issuers, the Trustee, nor any other person may register the Notes under the Securities Act or any state securities or "Blue Sky" laws nor may the Co-Issuers or the Trustee take such action with respect to the Collateral. See "Description of the Notes—General." 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 Issuer has not registered as an investment company under the Investment Company Act in reliance on the exception provided under Section 3(c)(7) thereof for companies whose outstanding securities (other than securities sold outside the United States in reliance on Regulation S) are beneficially owned by "Qualified Purchasers" (as defined in Section 3(c)(7) of the Investment Company Act) and which do not make a public offering of their securities in the United States. While counsel will opine in connection with the sale of the Notes to the Initial Purchaser that neither of the Co-Issuers on the Closing Date is required to register as an investment company (assuming the Notes are sold to the Initial Purchaser in accordance with the terms of the Purchase Agreement (as defined herein)), no opinion or no-action position has been requested of the United States Securities and Exchange Commission (the "**SEC**"). If the SEC or a court of competent jurisdiction were to find that the Issuer or the Co-Issuer is required to register as an investment company, possible consequences include, but are not limited to, the SEC applying to enjoin the violation, investors suing the Issuer or the Co-Issuer, as applicable, to recover any damages caused by the violation and any contract to which the Issuer or the Co-Issuer, as applicable, is a party made in violation or whose performance involves a violation of the Investment Company Act being unenforceable unless enforcing such contract would produce a more equitable result. Should the Issuer or the Co-Issuer be subjected to any or all of the foregoing or to any other consequences, the Issuer or the Co-Issuer, as the case may be, would be materially and adversely affected.

Each transferee of a Note (except with respect to a transfer pursuant to Regulation S under the Securities Act) will be deemed to make certain representations at the time of transfer relating to compliance with Section 3(c)(7) of the Investment Company Act. See "Delivery of the Notes; Transfer Restrictions; Settlement."

The Indenture will provide that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines any beneficial owner or Holder of a Note (other than a Note transferred in reliance on Regulation S of the Securities Act) is not a Qualified Institutional Buyer and a Qualified Purchaser, the Issuer will require that such beneficial owner or Holder sell all of its right, title and interest in such Note to a person who is so qualified, with such sale to be effected within 30 days after notice of such sale requirement is given. If such sale is not effected within such 30 days, upon written direction from the Issuer, the Trustee (or an investment banker selected by the Trustee and approved by the Issuer) will be authorized to conduct a commercially reasonable sale of such Note to a person who does so qualify and pending transfer, no further payments will be made in respect of such Note or any beneficial interest therein.

14. Final Maturity Date, Average Life and Prepayment Considerations; Redemption. The Final Maturity Date of each Class of Notes will be the Payment Date occurring in April 2047, in each case subject to prior redemption under the circumstances described herein. The average life of each Class of Notes is expected to be shorter than the number of years until the Final Maturity Date, and the average lives will be affected by the performance of the Portfolio Collateral, the ability of the Collateral Manager to invest collections or disposition proceeds in Additional Portfolio Collateral, the prevailing level of interest rates and the rate and timing of actual Credit Events experienced by Reference Obligations, defaults experienced by Non-Synthetic Portfolio Collateral and the level of recoveries. See "Security for the Notes—Changes in Composition of Portfolio Collateral."

As described herein, the Notes are subject to Auction Call Redemption, in whole but not in part, on the Auction Payment Date as a result of a successful Auction, at a price equal to the Auction Call Redemption Price. Through and including the Payment Date occurring in January 2015, no Auction Call Redemption may occur unless proceeds from the Auction are sufficient to pay the Auction Call Redemption Price and for the Preference Shares to receive an amount sufficient to provide the Preference Shares (after taking into account all prior payments) with an Internal Rate of Return of at least 10%. After the Payment Date occurring in January 2015, the Auction Call Redemption may occur if the proceeds thereof are sufficient to pay the Auction Call Redemption Price even if no payments will be made to the Preference Shares.

As described herein, the Notes are subject to Tax Redemption, in whole but not in part, at the direction of either (i) the holders of a majority in Aggregate Principal Amount of Notes of any Affected Class or (ii) the Majority Preference Shareholders, on any Payment Date, at a price equal to the Tax Redemption Price. The interests of the holders of the Notes and the holders of the Preference Shares may conflict with respect to any vote to effect a Tax Redemption. No Tax Redemption may be effected, however, unless a Tax Event shall have occurred and the Tax Materiality Condition is satisfied. See "Description of the Notes—Tax Redemption."

As described herein, the Notes will be subject to redemption, in whole but not in part, by the Issuer, at the direction of the Majority Preference Shareholders on any Optional Redemption Date.

15. The Issuer. The Issuer is a recently formed company and has no significant prior operating history. The Issuer has no significant assets other than the Collateral. The Issuer will not engage in any business activity other than the co-issuance of the Notes (other than the Class B-3L Notes) and the issuance of the Class B-3L Notes, the Class P1 Combination Notes, the Preference Shares and the ordinary shares as described herein, entering into and performing its obligations under, hedging, assigning and terminating the Credit Default Swaps and the Total Return Swap, entering into, performing its obligations under, the Class A-1LA Revolving Note Purchase Agreement and the Senior Prepaid Swap Agreements, acquiring, investing, disposing and reinvesting in items of Non-Synthetic Portfolio Collateral, Underlying Assets and Eligible Investments, certain activities conducted in connection with the payment of amounts in respect of the Notes, the Class P1 Combination Notes and the Preference Shares and the management of the Collateral and other activities set forth in the Indenture and the other transaction documents incidental to the foregoing, including the ownership of 100% of the stock of the Co-Issuer. Income derived from the Collateral will be the Issuer's principal source of cash. The Issuer is an exempted company incorporated with limited liability under the laws of the Cayman Islands. Because the Issuer is a Cayman Islands company and its directors reside in the Cayman Islands, it may not be possible for investors to effect service of process within the United States on such persons or to enforce against them or against the Issuer in United States courts judgments predicated upon the civil liability provisions of the United States securities laws. None of the directors, security holders, members, officers or incorporators of the Co-Issuers, the Collateral Manager, any of their respective affiliates or any other person or entity (other than the Issuer) will be obligated to make payments on the Notes, the Class P1 Combination Notes or the Preference Shares.

16. The Co-Issuer. The Co-Issuer is a newly-formed entity and has no prior operating history. The Co-Issuer has no substantial assets. The Co-Issuer will not engage in any business activity other than the co-issuance of the Notes.

17. Potential Conflicts of Interest. *Conflicts of Interest Involving the Collateral Manager*. Various potential and actual conflicts of interest may arise from the overall investment activity of the Collateral Manager, its clients and its affiliates and the Initial Purchaser and its affiliates. It is expected that the Collateral Manager or an affiliate of the Collateral Manager will purchase a majority of the Preference Shares on or about the Closing Date. The interests of the holders of the Preference Shares may be different from or adverse to the interests of the Holders of the Notes. As the result of the ownership of Preference Shares by the Collateral Manager or its affiliates, and the ability to vote the Preference Shares owned by the Collateral Manager or its affiliates, the affirmative vote or approval of the Preference Shares owned by such parties may be required in order to cause an Optional Redemption of the Notes. The Preference Shares held by the Collateral Manager or its affiliates may be sold by such party or parties to related and unrelated parties at any time after the Closing Date. Preference Shares held by the Collateral Manager and its affiliates will have no voting rights with respect to any vote in connection with the removal for cause of the Collateral Manager; *provided* that voting rights with respect to any Preference Shares held by an affiliate of the Collateral Manager may be voted with respect to the removal of the Collateral Manager by a majority of the independent directors of such Affiliate, determined in accordance with the governance documents of such Affiliate. The Collateral Manager will be required pursuant to the Collateral Management Agreement to provide to the Trustee information (upon which they may conclusively rely) relating to such directors, necessary for the Trustee to make any such determination. See "The Collateral Management Agreement." However, Preference Shares held by the Collateral Manager and its affiliates will have voting rights with respect to other matters as to which the holders of Preference Shares are entitled to vote.

In addition to the Base Collateral Management Fee, the Collateral Manager is entitled to receive an Additional Collateral Management Fee after all other distributions (other than certain distributions with respect to the Preference Shares and certain administrative expenses) are made, which is dependent in large part on the performance of the Collateral managed by the Collateral Manager on behalf of the Issuer. This could create an incentive for the Collateral Manager to manage the Collateral in such a manner as to seek to maximize the return on such Collateral. This could result in increasing the volatility of the Portfolio Collateral and could contribute to a decline in the aggregate value of the Portfolio Collateral. However, the Collateral Manager's management of the Issuer's investments is restricted by the requirement that it comply with the investment restrictions described in "Security for the Notes" and by its internal policies with respect to the management of securities accounts.

Various potential and actual conflicts of interest may arise from the overall investment activity of the Collateral Manager and its affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

The obligations of the Collateral Manager to the Issuer are not exclusive. The Collateral Manager has other clients, which may include certain holders of the Notes and Preference Shares. In addition, the Collateral Manager, its affiliates and their respective clients may invest in securities that would be appropriate for inclusion in the Trust Estate. The Collateral Manager may make investment decisions for its other clients and affiliates that may be different from those made by the Collateral Manager on behalf of the Issuer. The Collateral Manager, its affiliates and/or their respective clients may also have ongoing relationships with, render services to, and engage in transactions with, companies whose securities are included in the Portfolio Collateral and may own debt or equity securities issued by issuers of and other obligors on the Portfolio Collateral. As a result, employees or affiliates of the Collateral Manager may possess information relating to issuers of the Portfolio Collateral which is not known to the individuals at the Collateral Manager responsible for monitoring the Portfolio Collateral and performing the other obligations under the Collateral Management Agreement. In addition, the Collateral Manager, its affiliates and their respective clients may invest in securities that are senior to, junior to, or have interests different from or adverse to, the Portfolio Collateral. Moreover, the Collateral Manager or an affiliate may serve as investment adviser or manager for or act as general partner or member, as applicable, of or otherwise invest in limited partnerships or other limited liability or limited purpose companies organized to issue collateralized debt obligations secured by, among other things, asset-backed securities and credit default swaps. The Collateral Manager may at certain times be simultaneously seeking to purchase and dispose of investments for the Issuer and any similar entity for which the Collateral Manager or its affiliates serves as Collateral Manager or otherwise manages or advises in the future (collectively, the "**Related Entities**").

The Collateral Manager and its affiliates may engage in other businesses and may furnish investment management and advisory services to Related Entities whose investment policies may differ from or be similar to those followed by the Collateral Manager on behalf of the Issuer. The Collateral Manager and its affiliates will be free, in their sole discretion, to make recommendations to others, or effect transactions on behalf of themselves or others which may be the same as or different from those effected with respect to Portfolio Collateral. In addition, the Collateral Manager and its affiliates may, from time to time, cause, direct or recommend that Related Entities buy or sell securities of the same or of a different kind or class of the same issuer as items of Portfolio Collateral. It may not always be possible for the same investment positions to be taken or liquidated at the same time or be taken or liquidated at the same price. Accordingly, conflicts may arise regarding the allocation of investment opportunities among the Issuer and the Related Entities. The Collateral Manager will endeavor to resolve conflicts with respect to investment opportunities in a manner which the Collateral Manager, in its sole discretion, deems equitable to the extent possible under the prevailing facts and circumstances. Although the professional staff of the Collateral Manager will devote as much time to the Issuer as the Collateral Manager deems appropriate to perform its duties in accordance with the Collateral Management Agreement, such professional staff may have conflicts in allocating its time and services among the Issuer and the Collateral Manager's other accounts. Situations may occur where the Issuer could be disadvantaged because of the investment activities conducted by the Collateral Manager for the Related Entities. It is the intention of the Collateral Manager that all items of Portfolio Collateral will be acquired, entered into, disposed of, hedged, assigned or terminated by the Issuer on an arm's-length basis.

Conflicts of Interest Involving the Trustee. The Trustee and its affiliates may invest in securities that would be appropriate for inclusion in the Trust Estate and the Trustee has no duty, in making those investments, to act in a way that is favorable to the Issuer or the holders of the Notes or the Preference Shares. The Trustee's affiliates currently serve and may in the future serve as investment adviser for other issuers of collateralized debt obligations.

Conflicts of Interest Involving the Initial Purchaser. Certain Portfolio Collateral acquired by the Issuer will consist of or will reference obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which The Royal Bank of Scotland plc ("**RBS**") or an Affiliate of RBS has acted as underwriter, agent, placement agent, initial purchaser or dealer or for which RBS or an Affiliate of RBS has acted as lender or provided other commercial or investment banking services.

The initial Swap Counterparty with respect to the Credit Default Swaps will be RBS, an affiliate of the Initial Purchaser. As a Swap Counterparty, RBS will make determinations regarding the Reference Obligations

(including a decision to give notice under a CDS Transaction that a Credit Event or Floating Amount Event has occurred and to require the Issuer to make payments to it), which may have an adverse effect on the ability of the Issuer to make payments on the Notes and the Preference Shares.

There can be no assurance that the terms of the Credit Default Swap are the most favorable terms that the Issuer could obtain in the market if it entered into an identical agreement with another potential counterparty that was not an Affiliate of the Initial Purchaser. Certain of the Reference Obligations under the Credit Default Swap may be obligations of Reference Obligors that are, or may be Reference Obligations that are sponsored or serviced by companies for which one or more of the Initial Purchaser, the Swap Counterparty and their respective Affiliates have acted as underwriter, agent, placement agent or dealer or for which one or more of the Initial Purchaser, the Swap Counterparty and their respective Affiliates has acted as lender or provided other commercial or investment banking services. Any of the Initial Purchaser, the Swap Counterparty and their respective Affiliates may (i) be an investor in, a lender to or other secured or unsecured creditor of any Reference Obligor or a holder of a Reference Obligation and, in such capacity, may make decisions in such capacity in its own commercial interests, regardless of whether any such action might have an adverse effect on the holders of the Notes, or on any Reference Obligation (including, without limitation, any action which might constitute or give rise to a Credit Event or might diminish the value of a Reference Obligation), (ii) engage in derivative transactions (including credit derivative transactions) with any Reference Obligor and may provide investment banking and other financial services to any Reference Obligor, (iii) hold long or short financial positions with respect to the Reference Obligations or other securities or obligations of any Reference Obligor or the Issuer, (iv) act with respect to such financial positions and may exercise or enforce, or refrain from exercising or enforcing, any or all of their rights and powers in connection with such financial positions as if the relevant Initial Purchaser or Swap Counterparty (as applicable) had not entered into the Note Purchase Agreement, Credit Default Swap or any other agreement with the Issuer, and without regard to whether any such action might have an adverse effect on the Issuer, any holder of Notes or Preference Shares, any Reference Obligor or any obligation of the Issuer or any Reference Obligor and/or (v) have received or may in the future receive significant fees for such services. The Initial Purchaser and the Swap Counterparty will have only the duties and responsibilities expressly agreed to in the relevant capacity in which it is performing and will not, by virtue of it or any of its Affiliates acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity.

Intermediation. Under most circumstances, the fixed rate amounts payable to or by the Issuer with respect to Credit Default Swaps will be negotiated between RBS and the Collateral Manager on behalf of the Issuer. The Swap Counterparty may enter into back-to-back hedging transactions with respect to the Reference Obligations with dealers selected by the Swap Counterparty in its sole discretion. The fixed rate amount received by the Swap Counterparty under a back-to-back transaction related to a CDS Transaction will exceed the Fixed Rate payable by the Swap Counterparty to the Issuer under such related CDS Transaction; the fixed rate amount received by the Swap Counterparty under a back-to-back transaction related to a Hedging Short CDS Transaction will exceed the Fixed Rate payable by the Swap Counterparty to the Issuer under such related Hedging Short CDS Transaction; the fixed rate amount payable by the Swap Counterparty under a back-to-back transaction related to a Short CDS Transaction will be less than the Fixed Rate received by the Swap Counterparty from the Issuer under such Short CDS Transaction and the fixed rate amount payable by the Swap Counterparty under a back-to-back transaction related to a Hedging CDS Transaction will be less than the Fixed Rate received by the Swap Counterparty from the Issuer under such Hedging CDS Transaction, in each case, by an amount equal to 0.02% *per annum* representing an intermediation fee payable to the Swap Counterparty. If any intermediated Credit Default Swap is assigned or terminated and the Issuer is entitled to receive additional amounts constituting Trading Gain Payments, such Trading Gain Payments will not include the net present value of any intermediation fee earned by the Swap Counterparty in respect of the related Credit Default Swap. If any intermediated Credit Default Swap is assigned or terminated and the Swap Counterparty is entitled to receive additional amounts constituting Trading Loss Payments, such Trading Loss Payments will not include the net present value of any intermediation fee earned by the Swap Counterparty in respect of the related Credit Default Swap.

The Initial Purchaser, or its Affiliates may from time to time enter into derivative transactions with third parties with respect to the Notes, and the Initial Purchaser or its Affiliates may, in connection therewith, acquire (or establish long, short or derivative financial positions with respect to) Notes, Preference Shares, items of Portfolio Collateral or one or more portfolios of financial assets similar to the items of Portfolio Collateral acquired by (or intended to be acquired by) the Issuer. These activities may create certain conflicts of interest, and there can be no

assurance that the terms on which the Issuer entered into (or enters into) any of the foregoing transactions with the Initial Purchaser or (or an Affiliate thereof) were or are the most favorable terms available in the market at the time from potential counterparties.

In addition, the Initial Purchaser or its Affiliates may acquire Class A-1LA Revolving Notes after the Closing Date. In addition to its voting and consent rights in its capacity as Swap Counterparty under the Indenture, it is expected that on the Closing Date RBS will indirectly acquire the right to exercise the voting rights in respect of all or part of the Class A-1LA Revolving Notes and, as a consequence, will (depending on the aggregate principal amount of the Class A-1LA Revolving Notes that are subject to such arrangements, which may be zero) effectively constitute a Majority of the Requisite Noteholders and the Majority Class A-1LA Noteholder. As a result, RBS will have numerous additional voting and consent rights under the Indenture for so long as such voting arrangements (if any) continue. These will include voting and consent rights with respect to the declaration of (and exercise of remedies in connection with) an Event of Default, the appointment or removal of any Trustee and the consolidation or merger of either of the Co-Issuers. None of RBS or its Affiliates will have any obligation to maintain such voting arrangements and may discontinue such arrangements at any time.

The Initial Purchaser will also receive compensation for the sale of the Notes and the Preference Shares. See "Use of Proceeds" and "Plan of Distribution" herein.

The Initial Purchaser or its Affiliates may each act in its own commercial interest, in any of the other capacities listed above, and need not consider whether its actions will have an adverse effect on the Issuer, Noteholders or Holders of the Preference Shares.

Certain Conflicts of Interest Involving the TRS Swap Counterparty. Certain of the Underlying Assets referenced in the Total Return Swap may have issuers or might be obligations that are sponsored or serviced by companies for which the TRS Swap Counterparty or any of its affiliates has acted as underwriter, agent, placement agent or dealer or for which the TRS Swap Counterparty or any of its affiliates has acted as lender or provided other commercial or investment banking services. The TRS Swap Counterparty or any of its affiliates may be an investor in, a lender to or other secured or unsecured creditor of any issuer of any Underlying Asset or a holder of such Underlying Asset and, in such capacity, may make decisions in such capacity in its own commercial interests, regardless of whether any such action might have an adverse effect on the Noteholders, or on any Underlying Asset (including, without limitation, any action which might diminish the value of such Underlying Asset). Underlying Assets may also be Reference Obligations under the Credit Default Swaps or an issuer of Underling Assets may be a Reference Entity under a Credit Default Swap. The TRS Swap Counterparty or any of its affiliates may engage in derivative transactions (including credit derivative transactions or other total return swaps) with any Underlying Asset and may provide investment banking and other financial services to any issuer of any Underlying Asset. The TRS Swap Counterparty or any of its affiliates may hold long or short financial positions with respect to the Underlying Assets. The TRS Swap Counterparty or any of its affiliates may act with respect to such financial positions and may exercise or enforce, or refrain from exercising or enforcing, any or all of its rights and powers in connection with such financial positions as if the TRS Swap Counterparty or any of its affiliates had not entered into the Total Return Swap and without regard to whether any such action might have an adverse effect on the Issuer, any Noteholder, any Reference Entity, any Reference Obligation, any Credit Default Swap or any obligation of the Issuer, any Reference Entity or any holder of the Underlying Asset. In addition, the TRS Swap Counterparty and any of its affiliates may have received or may in the future receive significant fees for such services.

The TRS Swap Counterparty will have only the duties and responsibilities expressly agreed to in the relevant capacity in which it is performing under the relevant agreement and will not, by virtue of it or any of its affiliates acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity. The TRS Swap Counterparty or any of their respective affiliates may acquire Notes for their own portfolio and/or buy or sell credit exposure to the Notes in synthetic form from or to other parties.

18. Dependence on Key Personnel of the Collateral Manager. The performance of the Portfolio Collateral will be highly dependent on the financial and managerial expertise of the Collateral Manager. See "The Collateral Manager." The loss of one or more of the individuals managing the Portfolio Collateral could have a material adverse effect on the performance of the Portfolio Collateral. Although the Collateral Manager will commit

a commensurate amount of its resources to the management of the Portfolio Collateral, it manages other investment products and vehicles and is not required (and will not be able) to devote all of its resources to the management of the Portfolio Collateral.

19. Reliance on Creditworthiness of the Swap Counterparties and the TRS Swap Counterparty. It is expected that at least 85% of the Portfolio Collateral will, and up to 100% of the Portfolio Collateral may, consist of Credit Default Swaps. The ability of the Issuer to meet its obligations under the Notes will be dependent on its receipt of payments from the Swap Counterparties under the Credit Default Swaps and also from receipt of payments from the TRS Swap Counterparty under the Total Return Swap. Consequently, Noteholders will be exposed not only to the creditworthiness of the Reference Obligations and, in certain circumstances, of the Underlying Assets, but also to the creditworthiness of the Swap Counterparties and the TRS Swap Counterparty to perform their respective obligations under the Credit Default Swaps and the Total Return Swap. The insolvency of a Swap Counterparty or a default by it under a Credit Default Swap or the insolvency of the TRS Swap Counterparty or a default by it under the Total Return Swap would adversely affect the ability of the Issuer to pay amounts when due under the Notes and could result in a withdrawal or downgrade of the ratings on the Notes. As of the Closing Date, it is expected that the Rating Agencies will not permit multiple Swap Counterparties or TRS Swap Counterparties. As a result, there is no expectation that there will be a Swap Counterparty other than RBS or a TRS Swap Counterparty other than MLI.

20. Reliance on Creditworthiness of Eligible Investments and Underlying Assets. Investors are exposed to credit risk, and may be exposed to market risk, of the issuers of any Eligible Investments and, if the TRS Swap Counterparty fails to perform its payment obligations under the Total Return Swap, Underlying Assets that comprise any portion of the Collateral.

Generally, the ability of the Issuer to meet its obligations under the Notes will be dependent in part on its receipt of payments from Eligible Investments and Underlying Assets in the Principal Account. Consequently, the Noteholders will be exposed not only to the creditworthiness of the Reference Obligations, the Swap Counterparties and the TRS Swap Counterparty, but also to the creditworthiness of the issuers under such Eligible Investments and, if the TRS Swap Counterparty fails to perform its payment obligations under the Total Return Swap, the Underlying Assets (and any guarantors thereof).

21. Failure to Achieve and Maintain the Required Portfolio Collateral Amount; Reinvestment Provisions. There can be no assurance that the Issuer will be able to become and remain fully invested items of Portfolio Collateral. There can be no assurance that the Issuer will be able to enter into CDS Transactions or acquire items of Non-Synthetic Portfolio Collateral prior to the Effective Date in notional or principal amounts sufficient to satisfy the Required Portfolio Collateral Amount. In order to reach the Required Portfolio Collateral Amount by the Effective Date, the Issuer may have to accept less favorable terms with respect to certain items of Portfolio Collateral.

With respect to the Credit Default Swaps, the terms under which the Issuer may enter into a CDS Transaction are restricted by the Indenture and are different in some respects from the customary terms available in the credit default swap market, which may make it difficult for the Issuer to enter into credit default swaps. Moreover, the customary terms in the credit default swap market are likely to change in the future in which event the Issuer will need to satisfy the Rating Condition before it may enter into CDS Transactions on such changed terms. If the Issuer satisfies the Rating Condition, the terms of the CDS Transactions (including the Credit Events) may be materially different than as described under "Security for the Notes—The Credit Default Swaps." If the Issuer fails to satisfy the Rating Condition, it may not be permitted to enter into new CDS Transactions on the terms prevailing in the market and may as a result face increased difficulty in remaining fully invested.

If the Issuer is not fully invested at all times in CDS Transactions and items of Non-Synthetic Portfolio Collateral, amounts available to make payments on the Notes will be reduced and such payments may not be made in full. In such event, investors in the Notes may suffer a loss of part or all of their investment. See "Security for the Notes—Changes in Composition of Portfolio Collateral."

22. Ratings of the Notes. The ratings of the Notes by S&P address solely the likelihood of timely payment of the Periodic Interest Amount on and the ultimate payment of the Aggregate Principal Amount of the Class A-1LA Revolving Notes, the Class A-1LB Notes and the Class A-2L Notes and the ultimate payment of the Cumulative Interest Amount and the Aggregate Principal Amount of the Class A-3L Notes, the Class A-4L Notes and the Class B Notes. The ratings of the Notes by Moody's address the ultimate cash receipt of all required payments as provided by the governing documents, and are based on the expected loss to the Noteholders of each Class relative to the promise of receiving the present value of such payments. A rating is not a recommendation to purchase, hold or sell securities, in as much as such rating does not comment as to market price or suitability for a particular investor and may be subject to revision or withdrawal at any time by the assigning rating organization. The identity of the ultimate obligors under the Eligible Investments and Underlying Assets in the Principal Account, and their ratings, will likely affect the ratings of the Notes. A downgrade or withdrawal of a rating by a Rating Agency is likely to have an adverse effect on the market value of the Notes, which effect could be material.

23. Certain Tax Considerations. Investors in the Notes should review carefully the tax considerations set forth in "Certain U.S. Tax Considerations" herein.

24. Certain ERISA Considerations. Investors in the Notes should review carefully the ERISA considerations set forth in "Certain ERISA Considerations" herein.

25. No Gross-Up. Under current tax law of the United States and other jurisdictions, payments made by the obligors on any item of Portfolio Collateral are not expected to be subject to the imposition of U.S. federal or other withholding tax. There can be no assurance, however, that as a result of a change in any applicable law, treaty, rule or regulation or interpretation thereof or for any other reason, the payments on such Portfolio Collateral might not become subject to U.S. federal or other withholding tax. In the event that any withholding tax should be determined to be applicable to payments on any item of Portfolio Collateral and the obligors thereon were not then required to make "gross-up" payments that cover the full amount of any such withholding taxes, such tax would reduce the amounts available to make payments on the Notes. In addition, if any payment by a Swap Counterparty to the Issuer under any Credit Default Swap is subject to any deduction or withholding for or on account of any tax, duty, assessment or other governmental charge, such Swap Counterparty will be obligated to gross-up such payment for any such deduction or withholding. However, if such gross-up is the result of a change in applicable tax law (or in the application or interpretation thereof) or action taken by a taxing authority or court, a Swap Counterparty may terminate the related Credit Default Swaps and the Issuer may be obligated to make a termination payment to such Swap Counterparty, which may, in turn, reduce the amounts available to make payments on Notes.

26. Evolving Nature of the Credit Default Swap Market. Credit default swaps are relatively new instruments in the market. While the International Swaps and Derivatives Association, Inc. ("**ISDA**") has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit default swap market, the credit default swap market is expected to change and the Credit Derivatives Definitions and terms applied to credit derivatives are subject to interpretation and further evolution. Past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. For example, the restructuring by Conseco, Inc. ("**Conseco**") in the United States in December 2000 of certain of its debt obligations generated discussions in the credit derivatives market as to what constitutes restructuring under the market standard definitions that preceded the Credit Derivatives Definitions. In addition, the insolvency of Railtrack plc ("**Railtrack**") in the United Kingdom in October 2001 led to questions in the credit derivatives market regarding what obligations can be deliverable obligations under such earlier market standard definitions. In response to these and other events, ISDA released the Restructuring Supplement and the Supplement Relating to Convertible, Exchangeable or Accreting Obligations to such earlier market standard definitions, provisions which were subsequently incorporated in the Credit Derivatives Definitions.

The Credit Derivatives Definitions are expected to continue to evolve. There can be no assurances that changes to the Credit Derivatives Definitions and other terms applicable to credit derivatives generally will be predictable or favorable to the Issuer. Amendments or supplements to the Credit Derivatives Definitions that are published by ISDA will only apply to the Credit Default Swaps if the Issuer and the Swap Counterparty agree to amend the Credit Default Swaps to incorporate such amendments or supplements and the Rating Condition has been satisfied. Markets in different jurisdictions have also already adopted and may continue to adopt different practices

with respect to the Credit Derivative Definitions. Furthermore, the Conseco restructuring and Railtrack insolvency exemplify the fact that the Credit Derivatives Definitions may contain ambiguous provisions that are subject to interpretation and may result in consequences that are adverse to the Issuer.

Therefore, in addition to the credit risk of the Reference Obligations and the credit risk of the Swap Counterparty, the Issuer is also subject to the risk that the Credit Derivatives Definitions could be interpreted in a manner that would be adverse to the Issuer or that the credit derivatives market generally may evolve in a manner that would be adverse to the Issuer.

27. Uncertainty Regarding the Terms of the Credit Default Swaps. The description in this Offering Circular of the Credit Default Swaps is based on (i) the modified form of "Credit Derivative Transaction on Mortgage-Backed Security With Pay As You Go or Physical Settlement" Credit Default Swap confirmation published by ISDA prior to the Closing Date (which in the case of Reference Obligations that are RMBS Securities or CMBS Securities will be the form published by ISDA in April 2006) and (ii) the "Credit Derivative Transaction on Collateralized Debt Obligation With Pay As You Go or Physical Settlement" Credit Default Swap published by ISDA in June 2006, as amended in August 2006 (with respect to Reference Obligations that are CDO Securities). However, the Issuer, the Collateral Manager and the Swap Counterparty may adopt different forms of confirmations for Credit Default Swaps, if such confirmations and the related the documentation (x) conform to a form in respect of which the Rating Condition has been satisfied for entry by the Issuer and (y) in the Collateral Manager's judgment, such confirmation is deemed to be standard market form pay-as-you-go confirmation based on a template published by ISDA, Markit Partners or CDS Indexco. In such event, the terms of any such new Credit Default Swaps may be materially different from the terms of the Credit Default Swaps described herein, and such terms may be adverse to the interests of the Issuer and the holders of the Notes.

"Pay As You Go or Physical Settlement" credit default swaps are a new type of credit default swap developed to incorporate the unique structures of Asset-Backed Securities, in particular those of RMBS Securities, CMBS Securities and CDO Securities. While ISDA has published its form of confirmation for documenting "Pay As You Go or Physical Settlement" credit default swaps and has published and supplemented the ISDA Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit default swap market, the credit default swap market is expected to change and the confirmation used to document "Pay As You Go or Physical Settlement" credit default swaps and the ISDA Credit Derivatives Definitions and terms applied to credit derivatives are subject to interpretation and further evolution.

Past events have shown that the views of market participants may differ as to how the credit derivative transactions operate or should operate. There can be no assurances that changes to the credit derivative transactions, including, without limitation, the Credit Derivatives Definitions and other terms applicable to credit derivatives generally will be predictable or favorable to the Issuer. Markets in different jurisdictions have also already adopted and may continue to adopt different practices with respect to the credit derivative transactions. The credit derivative transactions forms published by ISDA and the Credit Derivatives Definitions may contain ambiguous provisions that are subject to interpretation and may result in consequences that are adverse to the Issuer. Therefore, in addition to the credit risk of the Reference Obligations and the credit risk of the Swap Counterparties, the Issuer is also subject to the risk that the Credit Derivatives Definitions could be interpreted in a manner that would be adverse to the Issuer or that the credit derivatives market generally may evolve in a manner that would be adverse to the Issuer.

28. 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 Issuer to enact anti-money laundering policies. It is possible that the Treasury will promulgate regulations requiring the Co-Issuers or the Initial Purchaser or other service providers to the Co-Issuers, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the Notes and/or the Preference Shares. Such legislation and/or regulations

could require the Co-Issuers to implement additional restrictions on the transfer of the Notes and/or the Preference Shares. As may be required, the Issuer reserves the right to request such information and take such actions as are necessary to enable it to comply with the USA PATRIOT Act.

29. Emerging Requirements of the European Union. As part of the harmonization of transparency requirements, the European Union has adopted a directive known as the Transparency Directive 2004/109/EC that, among other things, will regulate issuers of securities that are offered to the public or admitted to trading on a European Union regulated market. The listing of Notes on any European Union stock exchange would subject the Issuer to regulation under this directive, although the requirements applicable to the Issuer are not yet fully clarified. The Indenture will not require the Issuer to apply for, list or maintain a listing for any Class of Notes on a European Union stock exchange if compliance with this directive (or other requirements adopted by the European Commission or a relevant member state) becomes burdensome in the sole judgment of the Collateral Manager. Should the Notes be delisted from any exchange, the ability of the holders of such Notes to sell such Notes in the secondary market may be negatively affected.

30. Document Repository. Pursuant to the Indenture, the Issuer will consent to the posting of this Offering Circular, the Indenture and certain periodic reports required to be delivered pursuant to the Indenture, together with any amendments or modifications thereto, to the internet-based password protected electronic repository of transaction documents relating to privately offered and sold collateralized debt obligation securities located at "www.cdolibrary.com."

31. Class A-1LA Note Fundings and Prepayments of the Class A-1LA Revolving Notes. Subject to the satisfaction of certain conditions described herein, at the request of the Issuer, each Class A-1LA Noteholder will be obligated to make to the Issuer certain payments in amounts requested by the Issuer, based on such Holder's Pro Rata Share of the Class A-1LA Unfunded Commitment, as necessary for the Issuer to pay any Fixed Rate Shortfall Amounts (solely with respect to "Variable Cap" CDS Transactions), Physical Settlement Amounts, Principal Shortfall Amounts, Trading Loss Payments or Writedown Amounts to the Swap Counterparty pursuant to the Credit Default Swap Agreement to the extent each of the Principal Account Amount and the amount on deposit in the UA Collateral Sub-Account (and, solely with respect to any such Fixed Rate Shortfall Amounts, the Note Collection Account) has been reduced to zero. There can be no assurance that each Class A-1LA Noteholder will make a Class A-1LA Note Funding. If the Issuer is unable to pay any such required Fixed Rate Shortfall Amount, Physical Settlement Amount, Principal Shortfall Amount, Trading Loss Payments or Writedown Amount because any Class A-1LA Noteholder fails to make a Class A-1LA Note Funding and no replacement for such Class A-1LA Noteholder can be found, the Issuer may default on the transactions related to such payments, in which case, the Issuer may be subject to claims for termination payments by the related Swap Counterparty, which, in turn, could have material and adverse consequences on the interests of the holders of the Notes and the Preference Shares.

32. Senior Prepaid Swap. Senior Prepaid Swap Agreement that will be in effect on the Closing Date will provide for the Up-Front payment to be made by the Senior Prepaid Swap Counterparty to the Issuer on the Closing Date in the amount equal to U.S.$12,500,000. The Up-Front payment will be repaid over the term of the Senior Prepaid Swap Agreements through the payment of floating payments by the Issuer to the Senior Prepaid Swap Counterparty. Pursuant to the Senior Prepaid Swap Agreements, the Issuer also will receive from the Senior Prepaid Swap Counterparty, on each Payment Date (ending on the Payment Date in January 2013), (i) floating payments on a notional amount equal to U.S.$83,600,000 to hedge the rate reset risk on the swap pursuant to which the up-front payment is made and (ii) if three-month LIBOR for the related calculation period is less than 1.955%, fixed payments. As a result of the Up-Front Payment, the amounts payable by the Issuer under the Senior Prepaid Swap Agreements on each Payment Date will be more than such payments would have been if the Up-Front Payment had not been made. Moreover, in the event of an early termination of any derivative transaction under any of the Senior Prepaid Swap Agreements, the Issuer is more likely to be required to make a termination payment to the related counterparty (and the amount of such termination payment is likely to be greater) as a result of the Up-Front Payment. Therefore, the funds available to pay interest on the Notes and distributions on the Preference Shares will be less on each Payment Date than they would have been if the Up-Front payment had not been made. However, the initial cash balance in the Principal Account and the Closing Expense Account will be greater on the Closing Date than it would have been if the Up-Front Payment was not paid.

THE ISSUER AND THE CO-ISSUER

The Issuer

Webster CDO I, Ltd. (the "**Issuer**") was incorporated in the Cayman Islands on October 24, 2006, for the express purpose of issuing the Notes, the Class P1 Combination Notes, the Preference Shares and the ordinary shares, acquiring, disposing of and holding the assets described herein and engaging in the related transactions contemplated hereby.

The Issuer has no prior operating experience. The business activities in which the Issuer may engage are limited by the Indenture to (i) issuing the Notes, which are secured by the CDS Transactions, Hedging CDS Transactions, Short CDS Transactions and Hedging Short CDS Transactions (any of the foregoing, a "**Credit Default Swap**"), by items of Non-Synthetic Portfolio Collateral, by the Total Return Swap and other Collateral pledged by the Issuer under the Indenture, (ii) the issuance of the Class P1 Combination Notes, (iii) the issuance of the Preference Shares, (iv) entering into, performing its obligations under, hedging, assigning and terminating the Credit Default Swaps and the Total Return Swap, (v) entering into and performing its obligations under, the Class A-1LA Revolving Note Purchase Agreement and the Senior Prepaid Swap Agreements, (vi) acquiring, investing, disposing and reinvesting in items of Non-Synthetic Portfolio Collateral, Underlying Assets and Eligible Investments, (vii) entering into and performing its obligations under the Collateral Management Agreement and (viii) other activities set forth in the Indenture and the other transaction documents and other activities incidental to the foregoing, including the ownership of 100% of the stock of the Co-Issuer. Cash flow derived from Eligible Investments on deposit in the Accounts, the Non-Synthetic Portfolio Collateral, the Credit Default Swaps, the Total Return Swap and other Collateral securing the Notes will be the Issuer's only sources of cash available to pay amounts due under the Notes.

The registered office of the Issuer is located at the offices of Maples Finance Limited, P.O. Box 1093 GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands, (345) 945-7099 and the registered number of the Issuer is 166814.

The Issuer has been established as a special purpose company for the purpose of issuing the Securities, the acquisition and management of the Portfolio Collateral and other related transactions.

Certain proceeds of the offering of Notes will be invested in Eligible Investments and Underlying Assets. See "Use of Proceeds."

The Administrator

The Issuer has appointed Maples Finance Limited in the Cayman Islands, as Administrator to perform certain administrative functions on its behalf.

Either of the Issuer or the Administrator may terminate the Administration Agreement by giving at least fourteen (14) days notice in writing to the other party with a copy to any applicable rating agencies at any time within twelve months of the happening of any of the following events: (i) if the other party goes into liquidation or is dissolved (except as a voluntary liquidation or dissolution for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the party otherwise entitled to serve notice) or commits any other act of bankruptcy under applicable laws; or (ii) if the other party commits any breach of its obligations under the Administration Agreement and (if such breach shall be capable of remedy) fails within thirty (30) days of notice served on it requiring it so to do to make good such breach.

Either of the Issuer or the Administrator may terminate the Administration Agreement at any time by giving at least three (3) months' notice in writing to the other party with a copy to any applicable rating agencies.

Upon termination of the Administration Agreement, the Administrator shall, at the expense of the Issuer or its liquidator, as the case may be, deliver to the Issuer, or as it shall direct, all books of account, records, registers, correspondence, documents and all assets relating to the affairs of or belonging to the Issuer and in the possession of or under the control of the Administrator and shall take all necessary steps to vest in the Issuer or any new

administrator or liquidator, as the case may be, any assets previously held in the name of or to the order of the Administrator on behalf of the Issuer.

The Issuer shall notify each applicable rating agency and the Notes Trustee of any amendment, assignment or termination to the Administration Agreement.

The Administration Agreement does not specifically provide a procedure for the appointment of a replacement administrator. The Administrator's principal office is at PO Box 1093 GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

Share Capital

The Issuer's authorized share capital is U.S.$43,250 divided into 43,000,000 Preference Shares of par value U.S.$ 0.001 per share and 250 ordinary shares of U.S.$1.00 par value each. As of the date hereof, 250 ordinary shares have been issued and are fully paid-up. All of the issued and outstanding ordinary shares of the Issuer will be held in trust for the Holders of the Notes until there are no Notes Outstanding and for the benefit of certain charitable entities.

The Directors of the Issuer are responsible for the management and administration of the Issuer. As of the Closing Date, the Directors are Phillipa White and Christopher Watter.

The Co-Issuer

The Co-Issuer was incorporated on November 1, 2006, under the laws of the State of Delaware and its registered office is c/o Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711, (302) 738-6680. The sole director of the Co-Issuer is Donald Puglisi and its registered number is 3981837. The Co-Issuer will not have any substantial assets and will not pledge any assets to secure the Notes.

The Co-Issuer has been established as a special purpose company for the purpose of issuing the Securities, the acquisition and management of the Portfolio Collateral and other related transactions.

The Co-Issuer will be capitalized only to the extent of its common equity of U.S.$10, will have no assets other than its equity capital and will have no debt other than as Co-Issuer of the Notes. The Issuer will own 100% of the stock of the Co-Issuer.

Class P1 Combination Notes

In addition, on the Closing Date, the Issuer expects to issue the Class P1 Combination Notes (the "**Class P1 Combination Notes**") pursuant to the Indenture. The Class P1 Combination Notes will consist of two components: the Class A-3L Component having an aggregate initial principal amount of U.S.$5,000,000 Class A-3L Notes and the Class B-3L Component having an aggregate initial principal amount of U.S.$5,000,000 Class B-3L Notes. The Class P1 Combination Notes represent an ownership interest in such Class A-3L Notes and such Class B-3L Notes and do not represent an additional obligation of the Issuer. The Class P1 Combination Notes are a stapled security and comprise two components which are not transferable; however, a holder may exchange its Class P1 Combination Notes for the corresponding interests in the Components. For all purposes under the Indenture, the holders of the Class P1 Combination Notes are holders of the corresponding Class A-3L Notes and Class B-3L Notes. The Class P1 Combination Notes are described and offered pursuant to Appendix 2 of this Offering Circular.

DESCRIPTION OF THE NOTES

Certain definitions used herein are set forth in the Glossary of Certain Defined Terms (the "**Glossary**") set forth as Annex A hereto.

General

The Notes will be issued on the Closing Date pursuant to an indenture (the "**Indenture**"), to be dated as of the Closing Date, among the Co-Issuers and LaSalle Bank National Association, as trustee (the "**Trustee**") and as securities intermediary. 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) may be found in the Indenture or the Notes, as applicable. Copies of the Indenture may be obtained by Holders of the Notes upon request to the Issuer or the Initial Purchaser.

The Indenture limits the amount of Notes that can be issued thereunder to the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes, the Class A-4L Notes, the Class B-1L Notes, the Class B-2L Notes and the Class B-3L Notes in the aggregate principal amounts set forth on the cover hereof. The Notes will be issued in fully registered form in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1 in excess thereof.

In addition to the issuance of the Notes, on the Closing Date, the Issuer will also issue its Preference Shares (the "**Preference Shares**" and, together with the Notes, the "**Securities**"). The Preference Shares are described and offered pursuant to Appendix 1 of this Offering Circular.

The Notes, with the exception of the Class B-3L Notes, will be non-recourse obligations of the Co-Issuers and the Class B-3L Notes will be non-recourse obligations of the Issuer and all amounts payable in respect of the Notes will be paid solely from and to the extent of the available proceeds from the Trust Estate. To the extent the assets of the Trust Estate are insufficient to pay all amounts due on the Notes on each Payment Date, on the Final Maturity Date or otherwise, the Co-Issuers shall have no further obligations in respect of the Notes and any sums outstanding and unpaid shall be extinguished.

The Record Date for each Payment Date (including the Final Maturity Date) is the Business Day immediately preceding such Payment Date; *provided*, *however*, if Definitive Notes are issued, the Record Date for such Definitive Notes shall be the fifteenth day preceding such Payment Date. Payments of interest and principal or any other amount payable on or in respect of the Notes will be made on each Payment Date by wire transfer to registered Holders of the Notes on the Record Date applicable to such Payment Date to accounts maintained by such registered Holders as reflected in the Note Register. In the case of redemption, notice will be mailed to each Holder of record no later than ten Business Days before the Payment Date on which the final principal payment is expected to be made to such Holder.

Under the terms of the Indenture, the Trustee will act as a paying agent (together with any other paying agent appointed by the Co-Issuers from time to time, the "**Paying Agents**"). LaSalle Bank National Association will act as the paying and transfer agent for the Preference Shares (the "**Paying and Transfer Agent"**). There can be no assurance that any investor requesting payment from an off-shore paying agent will receive payments on the same day that they would have received such payments had the payments been made by LaSalle Bank National Association. Payments of principal of and interest on and other amounts in respect of the Notes will be made by the Trustee to the Paying Agents from funds available in the Note Collection Accounts established under the Indenture as described herein.

All distributions in respect of the Portfolio Collateral, Eligible Investments and Underlying Assets will be deposited directly into the Accounts established under the Indenture and will be available to the extent described herein for the payment of amounts payable in respect of the Notes and, under the circumstances set forth herein and in the Indenture, for the other applications described herein.

The Notes are subject to restrictions on transfer. See "—Form, Transfer and Transfer Restrictions." Subject to such restrictions, the Notes may be transferred or exchanged at the office designated by the Trustee for such purposes without the payment of any service charge, other than tax or other governmental charges payable in connection therewith.

The Class A-1LA Revolving Notes

As of the Closing Date, the aggregate principal amount of the Class A-1LA Funded Notes is expected to be zero. Pursuant to the Class A-1LA Revolving Note Purchase Agreement, the Class A-1LA Noteholders will make Class A-1LA Fundings (in an aggregate amount not in excess of the Class A-1LA Unfunded Commitment) to the Issuer (for deposit into the account designated from time to time by the Trustee), on any Business Day upon two

Business Days prior written request by the Issuer, or less if so agreed by the Class A-1LA Noteholders, in the form of a funding notice for each such funding. At no time may the Class A-1LA Unfunded Commitment exceed U.S.$609,000,000. Each such funding will be required to be made by the Class A-1LA Noteholders based on each Holder's Pro Rata Share of the Class A-1LA Unfunded Commitment, attributable to each Holder of the Class A-1LA Revolving Notes.

Prior to the Final Maturity Date, subject to compliance with the Class A-1LA Revolving Note Purchase Agreement, and so long as the Class A-1LA Unfunded Commitment is greater than zero, the Issuer may request Class A-1LA Note Fundings as necessary for the Issuer to pay any Fixed Rate Shortfall Amounts (solely with respect to "Variable Cap" CDS Transactions), Physical Settlement Amounts, Principal Shortfall Amounts, Trading Loss Payments or Writedown Amounts to the Swap Counterparty pursuant to the Credit Default Swap Agreement to the extent each of the Principal Account Amount and the amount on deposit in the UA Collateral Sub- Account (and, solely with respect to any such Fixed Rate Shortfall Amounts, the Note Collection Account) has been reduced to zero, as described in the Indenture.

If any Class A-1LA Noteholder does not at any time during the Commitment Period (as defined in the Class A-1LA Revolving Note Purchase Agreement) satisfy the Class A-1LA Rating Requirement, then such Holder will be required to, at no cost to the Issuer, (i) immediately give written notice of such fact to the Issuer, the Trustee, the Swap Counterparty, the Senior Prepaid Swap Counterparty, the Collateral Manager and each Rating Agency and (ii) not later than 30 days after the date on which such Holder fails to satisfy the Class A-1LA Rating Requirement do one of the following: (A) fund its Pro Rate Share of the Class A-1LA Unfunded Commitment in full, (B) obtain a guaranty or other form of credit enhancement that satisfies the Rating Condition and is approved by the Swap Counterparty, or (C) transfer all of its rights and obligations in respect of all Class A-1LA Revolving Notes held by such Holder to a person that satisfies the Class A-1LA Rating Requirement on the date of such assignment.

The Trustee will establish and maintain under the Indenture a segregated account (the "**Class A-1LA Downgraded Holder Reserve Account**") to which the Trustee will be required to credit all amounts advanced by a Class A-1LA Noteholder as described in clause (ii)(A) of the immediately preceding paragraph. Upon any subsequent Class A-1LA Note Funding Request, the Trustee shall withdraw from the Class A-1LA Downgraded Holder Reserve Account, for credit to the Principal Account, an amount equal to such Class A-1LA Noteholder's Pro Rata Share of the requested Class A-1LA Note Funding, which amount will constitute a Class A-1LA Note Funding made by the related Class A-1LA Noteholder for all purposes upon such transfer to the Principal Account. Upon any permanent reduction in the Class A-1LA Unfunded Commitment, the Trustee will be required to withdraw from the Class A-1LA Downgraded Holder Reserve Account, for transfer to the related Class A-1LA Noteholder, an amount equal to such Class A-1LA Noteholder's Pro Rata Share of such permanent reduction.

If at any time a Class A-1LA Noteholder (or any credit enhancer for such Holder that may be available) fails to fund a requested Class A-1LA Funding to the Issuer and does not cure such failure within three Business Days, following such failure, the Issuer will be required to (x) direct such Holder to assign all of its rights and obligations under the Indenture and under the Class A-1LA Revolving Note Purchase Agreement to a replacement Holder of the Class A-1LA Revolving Notes that satisfies, on the effective date of the proposed replacement, the Class A-1LA Rating Requirement or (y) at the direction of the Swap Counterparty sell Non-Synthetic Portfolio Collateral to the extent of the shortfall resulting from such failure to fund by a Class A-1LA Noteholder.

Subject to the priority of payments, principal amounts owing under the Class A-1LA Revolving Notes (the "**Class A-1LA Principal Prepayments**") may be made until 10 Business Days prior to the commencement of the Amortization Period on any Business Day (other than a Business Day occurring during the period beginning on the day following a Calculation Date and ending on the subsequent Payment Date) at the option of the Issuer at the written direction of the Collateral Manager from the Principal Account upon two Business Days prior written notice to the Class A-1LA Noteholders and the Trustee, or less if so agreed by the Class A-1LA Noteholders, in an aggregate minimum amount of no less than the Minimum Prepayment Amount. Any Class A-1LA Principal Prepayments will be made by the Issuer pro rata according to the Class A-1LA Unfunded Commitment relating to each Class A-1LA Revolving Note. Prior to the commencement of the Amortization Period, Class A-1LA Principal Prepayments will not reduce but will increase the Class A-1LA Unfunded Commitment and such prepaid amount may be re-drawn.

Payments on the Notes; Priority of Distributions

The "**Periodic Interest Accrual Period**" for each Class of Notes is the period from the Closing Date through the day preceding the subsequent Payment Date and each period thereafter from each Payment Date through the day preceding the subsequent Payment Date. To the extent Periodic Interest accrued at the Applicable Periodic Rate with respect to any Periodic Interest Accrual Period and any Class of Notes is not paid on the related Payment Date, the amount of such interest shortfall will accrue interest at the Applicable Periodic Rate and will be paid (to the extent funds are available therefor as described herein) on one or more subsequent Payment Dates after payment of interest at the Applicable Periodic Rate with respect to the Periodic Interest Accrual Period relating to such subsequent Payment Date (the amount of such shortfall, together with interest thereon at the Applicable Periodic Rate, the "**Periodic Rate Shortfall Amount**" and, together with the Periodic Interest Amount for such subsequent Payment Date and such Class of Notes, the "**Cumulative Interest Amount**" with respect to such Payment Date). Interest on the Notes will be calculated on the basis of a year of 360 days and the actual number of days elapsed.

On each Payment Date after the Revolving Period, except as otherwise described herein, payments of principal on the Notes will be payable (to the extent of funds available therefor) and the Class A-1LA Unfunded Commitment will be reduced, in each case, *pro rata*, in the order of priority described herein, until a Sequential Trigger Event has occurred. Upon the occurrence of a Sequential Trigger Event, principal on the Notes will be payable (to the extent of funds available therefor) and the Class A-1LA Unfunded Commitment will be reduced, in each case, in the order of priority described herein), first, *pro rata*, to the Class A-1LA Funded Notes and the Class A-1LA Unfunded Commitment, second, to the Class A-1LB Notes, third, to the Class A-2L Notes, fourth, to the Class A-3L Notes, fifth, to the Class A-4L Notes, sixth, to the Class B-1L Notes, seventh, to the Class B-2L Notes and eighth, to the Class B-3L Notes, in that order, until the Aggregate Principal Amount of each such Class or the Class A-1LA Unfunded Commitment, as applicable, has been reduced to zero.

Class A-1LA Revolving Notes. The Class A-1LA Funded Notes will provide for the payment of periodic interest (the "**Class A-1LA Funded Interest Amount**") (to the extent funds are available therefor as described herein) for each Periodic Interest Accrual Period (as defined herein) at the rate of 0.34% *per annum* above the London interbank offered rate for three-month U.S. dollar deposits (or, for the period from the Closing Date to the first Payment Date, as described herein) ("**LIBOR**"), determined as described herein (the "**Class A-1LA Funded Note Rate**") on the 13th day of January, April, July, October and 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**"), commencing with the April 2007 Payment Date. Any such interest will be calculated on the basis of a year of 360 days and the actual number of days elapsed. The Class A-1LA Unfunded Notes will provide for payment of periodic interest (the "**Class A-1LA Unfunded Interest Amount**") (to the extent funds are available therefor as described herein) for each Periodic Interest Accrual Period at a rate of 0.20% *per annum* (the "**Class A-1LA Unfunded Note Rate**") on each Payment Date, commencing with the April 2007 Payment Date. Any such interest will be calculated on the basis of a year of 360 days and the actual number of days elapsed.

Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class A-1LA Revolving Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class A-1LA Funded Notes has been paid in full and the Class A-1LA Unfunded Commitment is reduced to zero. The Issuer may, however (subject to the priority of payments), at any time, prepay funds advanced by the Class A-1LA Noteholders and redraw any such amounts. The Aggregate Principal Amount of the Class A-1LA Revolving Notes will be due and payable on each Payment Date during the Amortization Period and on the Final Maturity Date in the manner described herein.

Class A-1LB Notes. The Class A-1LB Notes will provide for the payment of periodic interest on the Aggregate Principal Amount thereof ("**Periodic Interest**" and, the amount of such periodic interest, the "**Periodic Interest Amount**" with respect to the Class A-1LB Notes) (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 0.45% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class A-1LB Notes) on each Payment Date, commencing with the April 2007 Payment Date.

Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class A-1LB Notes) and are to continue until

the Payment Date on which the Aggregate Principal Amount of the Class A-1LB Notes has been paid in full. All outstanding principal of the Class A-1LB Notes, together with the other amounts described herein, will be due and payable on the Final Maturity Date. The Class A-1LB Notes are subordinated in right of payment to the Class A-1LA Revolving Notes to the extent described herein.

No interest will be payable in respect of the Class A-1LB Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount due to them on such Payment Date and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A-1LA Revolving Notes has been paid in full.

Class A-2L Notes. The Class A-2L Notes will provide for the payment of periodic interest on the Aggregate Principal Amount thereof ("**Periodic Interest**" and, the amount of such periodic interest, the "**Periodic Interest Amount**" with respect to the Class A-2L Notes) (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 0.54% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class A-2L Notes) on each Payment Date commencing with the April 2007 Payment Date.

Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class A-2L Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class A-2L Notes has been paid in full. All outstanding principal of the Class A-2L Notes, together with the other amounts described herein, will be due and payable on the Final Maturity Date. The Class A-2L Notes are subordinated in right of payment to the Class A-1LA Revolving Notes and the Class A-1LB Notes to the extent described herein.

No interest will be payable in respect of the Class A-2L Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount due to them on such Payment Date, the Holders of the Class A-1LB Notes have been paid the Cumulative Interest Amount due to them on such Payment Date, and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A-1LA Revolving Notes and the Class A-1LB Notes has been paid in full.

Class A-3L Notes. The Class A-3L Notes will provide for the payment of periodic interest on the Aggregate Principal Amount thereof ("**Periodic Interest**" and, the amount of such periodic interest, the "**Periodic Interest Amount**" with respect to the Class A-3L Notes) (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 1.45% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class A-3L Notes) on each Payment Date commencing with the April 2007 Payment Date. The failure to pay in full Periodic Interest on the Class A-3L Notes as a result of insufficient funds being available therefor will not constitute an Event of Default so long as any Class A-1LA Revolving Notes, Class A-1LB Notes or Class A-2L Notes are Outstanding.

Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class A-3L Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class A-3L Notes has been paid in full. All outstanding principal of the Class A-3L Notes, together with the other amounts described herein, will be due and payable on the Final Maturity Date. The Class A-3L Notes are subordinated in right of payment to the Class A-1LA Revolving Notes, the Class A-1LB Notes and the Class A-2L Notes to the extent described herein.

No interest will be payable in respect of the Class A-3L Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount due to them on such Payment Date, the Holders of the Class A-1LB Notes and the Class A-2L Notes have been paid the Cumulative Interest Amount due to them on such Payment Date, and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A-1LA Revolving Notes, the Class A-1LB Notes and the Class A-2L Notes has been paid in full.

Class A-4L Notes. The Class A-4L Notes will provide for the payment of periodic interest on the Aggregate Principal Amount thereof ("**Periodic Interest**" and, the amount of such periodic interest, the "**Periodic Interest Amount**" with respect to the Class A-4L Notes) (to the extent of funds available therefor as described

herein) for each Periodic Interest Accrual Period at the rate of 2.75% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class A-4L Notes) on each Payment Date commencing with the April 2007 Payment Date. The failure to pay in full Periodic Interest on the Class A-4L Notes as a result of insufficient funds being available therefor will not constitute an Event of Default so long as any Class A-1LA Revolving Notes, Class A-1LB Notes, the Class A-2L Notes or Class A-3L Notes are Outstanding.

Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class A-4L Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class A-4L Notes has been paid in full. All outstanding principal of the Class A-4L Notes, together with the other amounts described herein, will be due and payable on the Final Maturity Date. The Class A-4L Notes are subordinated in right of payment to the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes and the Class A-3L Notes to the extent described herein.

No interest will be payable in respect of the Class A-4L Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount due to them on such Payment Date, the Holders of the Class A-1LB Notes, the Class A-2L Notes and the Class A-3L Notes have been paid the Cumulative Interest Amount due to them on such Payment Date, and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes and the Class A-3L Notes has been paid in full.

Class B-1L Notes. The Class B-1L Notes will provide for the payment of periodic interest on the Aggregate Principal Amount thereof ("**Periodic Interest**" and, the amount of such periodic interest, the "**Periodic Interest Amount**" with respect to the Class B-1L Notes) (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 3.40% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class B-1L Notes) on each Payment Date commencing with the April 2007 Payment Date. The failure to pay in full Periodic Interest on the Class B-1L Notes as a result of insufficient funds being available therefor will not constitute an Event of Default so long as any Class A Notes are Outstanding.

Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class B-1L Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class B-1L Notes has been paid in full. All outstanding principal of the Class B-1L Notes, together with the other amounts described herein, will be due and payable on the Final Maturity Date. The Class B-1L Notes are subordinated in right of payment to the Class A Notes to the extent described herein.

No interest will be payable in respect of the Class B-1L Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount due to them on such Payment Date, the Holders of the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes and the Class A-4L Notes have been paid the Cumulative Interest Amount due to them on such Payment Date, and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A Notes has been paid in full.

Class B-2L Notes. The Class B-2L Notes will provide for the payment of periodic interest on the Aggregate Principal Amount thereof ("**Periodic Interest**" and, the amount of such periodic interest, the "**Periodic Interest Amount**" with respect to the Class B-2L Notes) (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 3.85% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class B-2L Notes) on each Payment Date commencing with the April 2007 Payment Date. The failure to pay in full Periodic Interest on the Class B-2L Notes as a result of insufficient funds being available therefor will not constitute an Event of Default so long as any Class A Notes or Class B-1L Notes are Outstanding.

Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class B-2L Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class B-2L Notes has been paid in full. All outstanding principal of the Class B-2L Notes, together with the other amounts described herein, will be due and

payable on the Final Maturity Date. The Class B-2L Notes are subordinated in right of payment to the Class A Notes and the Class B-1L Notes to the extent described herein.

No interest will be payable in respect of the Class B-2L Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount due to them on such Payment Date, the Holders of the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes, the Class A-4L Notes and the Class B-1L Notes have been paid the Cumulative Interest Amount due to them on such Payment Date, and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A Notes and the Class B-1L Notes has been paid in full.

Class B-3L Notes. The Class B-3L Notes will provide for the payment of periodic interest on the Aggregate Principal Amount thereof ("**Periodic Interest**" and, the amount of such periodic interest, the "**Periodic Interest Amount**" with respect to the Class B-3L Notes) (to the extent of funds available therefor as described herein) for each Periodic Interest Accrual Period at the rate of 6.50% *per annum* above LIBOR (the "**Applicable Periodic Rate**" with respect to the Class B-3L Notes) on each Payment Date commencing with the April 2007 Payment Date. The failure to pay in full Periodic Interest on the Class B-3L Notes as a result of insufficient funds being available therefor will not constitute an Event of Default so long as any Class A Notes, Class B-1L Notes or Class B-2L Notes are Outstanding.

Principal payments are not expected to begin until the commencement of the Amortization Period (except in the event of a Tax Redemption or an Optional Redemption of the Class B-3L Notes) and are to continue until the Payment Date on which the Aggregate Principal Amount of the Class B-3L Notes has been paid in full. All outstanding principal of the Class B-3L Notes, together with the other amounts described herein, will be due and payable on the Final Maturity Date. The Class B-3L Notes are subordinated in right of payment to the Class A Notes, the Class B-1L Notes and the Class B-2L Notes to the extent described herein.

No interest will be payable in respect of the Class B-3L Notes on any Payment Date unless the Class A-1LA Noteholders have been paid the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount due to them on such Payment Date, the Holders of the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes, the Class A-4L Notes, the Class B-1L Notes and the Class B-2L Notes have been paid the Cumulative Interest Amount due to them on such Payment Date, and, in the case of the Final Maturity Date, until the Aggregate Principal Amount of the Class A Notes, the Class B-1L Notes and the Class B-2L Notes has been paid in full.

To the extent the assets of the Trust Estate are insufficient to pay all amounts due on the Notes, the Co-Issuers shall have no further obligations in respect of the Notes.

The Co-Issuers will not be required to pay additional amounts to Holders of any Class of Notes if taxes or related amounts are withheld from payments on the Notes, any payments from the Swap Counterparties or the TRS Swap Counterparty or any payments on investments of the Co-Issuers. However, such withholding tax on payments from the Swap Counterparties or the TRS Swap Counterparty could result in the Notes being redeemed by the Issuer. See "—Tax Redemption."

Class P1 Combination Notes. On the Closing Date, the Issuer will issue the Class P1 Combination Notes due April 2047 in the Aggregate Principal Amount of U.S. $10,000,000 (the "**Class P1 Combination Notes**"). The Class P1 Combination Notes will consist of the **"Class A-3L Component"** which is the component of the Class P1 Combination Notes representing an interest in Class A-3L Notes having an initial Aggregate Principal Amount of U.S. $5,000,000, and the "**Class B-3L Component**" which is the component of the Class P1 Combination Notes representing an interest in Class B-3L Notes having an initial Aggregate Principal Amount of U.S. $5,000,000. The Class P1 Combination Notes are described and offered pursuant to Appendix 2 of this Offering Circular.

All rights ordinarily allocable to a Holder of a Component will be exercised by the Holder of the related Class P1 Combination Notes, all payments to be made under the Indenture to a Holder of such Component will be made by the Trustee or the Paying and Transfer Agent, as applicable, directly to such Holder of the related Class P1 Combination Notes, and the Holder of the related Class P1 Combination Notes shall have all the rights, as the Holder of the related Components, for all purposes. Upon receipt by the Trustee of any payment in respect of any

Class A-3L Component or Class B-3L Component, the Trustee will be required to distribute such payment to the Holders of the Class P1 Combination Notes, ratably, according to their respective interests, by wire transfer to such accounts as the Holders may specify (in writing) to the Trustee prior to the related Record Date.

Except as expressly described herein, the Holders of the Class P1 Combination Notes will not be entitled to vote with respect to matters arising under the Indenture or the Collateral Management Agreement except as Holders of the related Components.

All of the obligations of the Issuer under the Class P1 Combination Notes (to the extent of the Class A-3L Component or Class B-3L Component, as applicable) are limited recourse obligations of the Issuer, payable solely from amounts paid in respect of the related Components. The claims and rights of a Holder of a Class P1 Combination Note in respect of any amounts payable in respect of any Component that is a Note shall be identical to the claims and rights of a Holder of the same amount of such Component.

The Class P1 Combination Notes represent interests in the related Components. Notwithstanding anything herein to the contrary, the Class P1 Combination Notes do not represent an obligation of the Issuer from or in addition to the obligation of the Issuer with respect to the related Components.

The Aggregate Principal Amount of the Class P1 Combination Notes will at all times equal the Aggregate Principal Amount of the related Components. After issuance, the Aggregate Principal Amount of each Class P1 Combination Note will be reduced by the amount and to the extent the Aggregate Principal Amount of each related Component is reduced. When a payment causing the reduction of the Aggregate Principal Amount of the Class A-3L Notes or Class B-3L Notes is made, the Aggregate Principal Amount of the related Class A-3L Component or Class B-3L Component shall be reduced based on the proportion that the Class A-3L Component or the Class B-3L Component bears to the Class A-3L Notes and the Class B-3L Notes immediately prior to such reduction.

Solely for purposes of determining the Rated Balance of the Class P1 Combination Notes, all monies distributed to the related Components will be applied as follows:

All payments received on account of the Class A-3L Component and the Class B-3L Component, will be applied to reduce the Rated Balance of the Class P1 Combination Notes until the Rated Balance has been paid in full and thereafter any payment received will be deemed additional interest on such Class P1 Combination Notes. The Class P1 Combination Notes will not bear a stated interest rate and no interest will accrue on the Class P1 Combination Notes for purposes of calculating the Rated Balance.

Determination of LIBOR

For purposes of calculating the Applicable Periodic Rate, the Issuer initially will appoint LaSalle Bank National Association, as agent with respect to the determination of LIBOR (in such capacity, the "**Calculation Agent**"). LIBOR will be determined by the Calculation Agent in accordance with the following provisions:

> On the second London Business Day prior to the commencement of a Periodic Interest Accrual Period (each such day, a "**LIBOR Determination Date**"), LIBOR shall equal the rate, as obtained by the Calculation Agent, for three-month U.S. dollar deposits which appears on Telerate Page 3750 (as defined in the 2000 ISDA Definitions and as reported by Bloomberg Financial Markets Commodities News) or such other page as may replace such Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date; *provided* that LIBOR for the initial Periodic Interest Accrual Period shall be determined through the use of straight-line interpolation by reference to two rates calculated in accordance with the provisions above, one of which shall be for four-month U.S. dollar deposits and the other of which shall be for five-month U.S. dollar deposits.
>
> If, on any LIBOR Determination Date, such rate does not appear on Telerate Page 3750 or such other page as may replace such Page 3750, the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to leading banks in the London interbank market for four-month (or five-month, as applicable) U.S. dollar deposits in an amount determined by the Calculation

Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date made by the Calculation Agent to the Reference Banks. If, on any LIBOR Determination Date, at least two of the Reference Banks provide such quotations, LIBOR shall equal such arithmetic mean of such quotations. If, on any LIBOR Determination Date, only one or none of the Reference Banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in The City of New York selected by the Calculation Agent (after consultation with the Collateral Manager) are quoting on the relevant LIBOR Determination Date four-month (or five-month, as applicable) for the applicable U.S. dollar deposits in an amount determined by the Calculation Agent that is representative of a single transaction in such market at such time by reference to the principal London offices of leading banks in the London interbank market; *provided* that, if the Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, LIBOR shall be LIBOR as determined on the previous LIBOR Determination Date. As used herein, "**Reference Banks**" means four major banks in the London interbank market selected by the Calculation Agent (after consultation with the Collateral Manager).

As soon as possible after 11:00 a.m. (New York time) on each LIBOR Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each LIBOR Determination Date, the Calculation Agent will notify the Issuer, the Trustee, the Collateral Manager and for so long as any Class of Notes is listed on any stock exchange and the rules of such stock exchange so require, such stock exchange, of LIBOR for the next Periodic Interest Accrual Period. The Calculation Agent will also specify to the Issuer the quotations upon which LIBOR is based, and in any event the Calculation Agent shall notify the Issuer before 5:00 p.m. (New York time) on each LIBOR Determination Date if it has not determined and is not in the process of determining LIBOR together with its reasons therefor.

Upon receipt of notice of LIBOR for each Periodic Interest Accrual Period from the Calculation Agent as described in the preceding paragraph, the Trustee will determine the Applicable Periodic Rate for each Class of Notes for such Periodic Interest Accrual Period and, for so long as any Class of Notes is listed on any stock exchange, notify such stock exchange of the Periodic Rate for the each Class of Notes. The determination of LIBOR by the Calculation Agent and the Applicable Periodic Rate by the Trustee (in the absence of manifest error) will be final and binding upon all parties.

The Calculation Agent may be removed by the Issuer at any time. If the Calculation Agent is unable or unwilling to act as such or is removed by the Issuer, or if the Calculation Agent fails to determine LIBOR for a Periodic Interest Accrual Period, the Issuer will promptly appoint as a replacement Calculation Agent a leading bank which is engaged in transactions in U.S. dollar deposits in the international U.S. dollar market and which does not control or is not controlled by or under common control with the Issuer or its affiliates. The Calculation Agent may not resign or be removed from its duties without a successor having been duly appointed.

Distributions from the Payment Account

I. Adjusted Collateral Interest Collections

On each Payment Date, in accordance with the Note Valuation Report for the Calculation Date immediately preceding such Payment Date, the Trustee shall withdraw from the Payment Account an amount up to the Collateral Interest Collections, which will be applied by the Trustee to pay each of the following in the following order of priority:

(A) the Trustee Administrative Expenses with respect to such Payment Date and any Trustee Administrative Expenses with respect to a previous Payment Date that were not paid on a previous Payment Date;

(B) the Preference Shares Administrative Expenses with respect to such Payment Date and any Preference Shares Administrative Expenses that were not paid on a previous Payment Date;

(C) the Issuer Base Administrative Expenses with respect to such Payment Date and any Issuer Base Administrative Expenses with respect to a previous Payment Date that were not paid on a previous Payment Date;

(D) for the replenishment of the Expense Reimbursement Account to the extent any of the amounts referred to in clause (C) have already been paid from funds on deposit therein (the aggregate of the amounts set forth in clauses (C) and (D) shall not exceed U.S.$200,000 *per annum plus* (ii) 0.02% *per annum* of the Net Obligation Amount as of the first day of the Due Period relating to such Payment Date);

(E) the Base Collateral Management Fee with respect to such Payment Date and any Base Collateral Management Fee with respect to a previous Payment Date that was not paid on a previous Payment Date (the aggregate of (A), (B), (C), (D) and (E), the "**Aggregate Base Fees and Expenses**");

(F) to pay, *pro rata*, (i) the Senior Prepaid Swap Payment and (ii) any termination payments due under the Senior Prepaid Swap Agreements where the Issuer is the "sole defaulting party" or the "sole affected party" (as such terms are defined in such Senior Prepaid Swap Agreements); and

(G) any (i) Issuer Senior Termination Payments or (ii) amounts due in connection with the payment of Fixed Rate Shortfall Amounts with respect to CDS Transactions which have "Variable Caps", in each case, to the extent not previously paid.

Collateral Interest Collections net of amounts payable on a Payment Date pursuant to clause (A) through (G) above, represent "**Adjusted Collateral Interest Collections**" for such Payment Date.

II. <u>Revolving Period and Amortization Period</u>

On each Payment Date with respect to the **Revolving Period** and the **Amortization Period**, Adjusted Collateral Interest Collections for such Payment Date will be applied by the Trustee in the following order of priority:

(i) to pay, *pari passu*, the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount with respect to such Payment Date;

(ii) to pay to the Holders of the Class A-1LB Notes an amount equal to the applicable Cumulative Interest Amount;

(iii) to pay to the Holders of the Class A-2L Notes an amount equal to the applicable Cumulative Interest Amount;

(iv) to pay to the Trustee to be deposited, *pari passu* into:

(a) the Hedging CDS Reserve Account to pay any Short CDS Transaction Fixed Rate or Hedging CDS Transaction Fixed Rate due and payable to any Swap Counterparty on any date during the following Due Period, but only to the extent that such Short CDS Transaction Fixed Rate or Hedging CDS Transaction Fixed Rate exceeds the Fixed Rate Counterparty Payment due from the relevant Swap Counterparty or payment due from the relevant Swap Counterparty under any Hedging Short CDS Transaction on such date and there is not expected to be sufficient Collateral Interest Collections in the Payment Account to make such payments on such date; and

(b) the Short CDS Interest Shortfall Reserve Account in an amount equal to the Short CDS Aggregate Fixed Rate Shortfall Amount for the related Due Period;

(v) to pay the Cumulative Interest Amount with respect to the Class A-3L Notes and such Payment Date;

(vi) to pay the Cumulative Interest Amount with respect to the Class A-4L Notes and such Payment Date;

(vii) to pay the Cumulative Interest Amount with respect to the Class B-1L Notes and such Payment Date;

(viii) to pay the Cumulative Interest Amount with respect to the Class B-2L Notes and such Payment Date;

(ix) to pay the Cumulative Interest Amount with respect to the Class B-3L Notes and such Payment Date;

(x) if a Rating Confirmation Failure has occurred and is continuing, to be deposited into the Principal Account and invested in Eligible Investments, Underlying Assets or Non-Synthetic Portfolio Collateral (as determined by the Collateral Manager) until the aggregate amount of Eligible Investments and Non-Synthetic Portfolio Collateral is increased to the extent necessary to receive a Rating Confirmation;

(xi) to the extent the Adjusted Principal Account Amount is less than the Aggregate Principal Amount of the Notes (excluding the Class A-1LA Revolving Notes), to be deposited into the Principal Account and invested in Non-Synthetic Portfolio Collateral, Underlying Assets and Eligible Investments until the Adjusted Principal Account Amount is equal to the Aggregate Principal Amount of the Notes (excluding the Class A-1LA Revolving Notes);

(xii) to the payment of the Issuer Excess Administrative Expenses with respect to such Payment Date and then any Issuer Excess Administrative Expenses with respect to a previous Payment Date that were not paid on a previous Payment Date;

(xiii) to the payment to the Collateral Manager of the Additional Collateral Management Fee with respect to such Payment Date and then any Additional Collateral Management Fee with respect to any previous Payment Date that was not paid on a previous Payment Date; and

(xiv) to pay *pro rata*, (a) any termination payments, other than Issuer Senior Termination Payments, payable by the Issuer to a Swap Counterparty by reason of an event of default or termination event, (b) any payments payable by the Issuer to the TRS Swap Counterparty pursuant to the Total Return Swap, in each case, to the extent not previously paid, and (c) any termination payments due under the Senior Prepaid Swap Agreements, where the Senior Prepaid Swap Counterparty is the "sole defaulting party" or the "sole affected party" (as such terms are defined in such Senior Prepaid Swap Agreements), to the extent not previously paid.

Any amount remaining after the payment or deposit of the amounts described in clauses (i) through (xiv) above will be paid to the Issuer, free and clear of the lien of the Indenture, to be applied to fund distributions to the holders of the Preference Shares in accordance with the provisions of the Paying and Transfer Agency Agreement.

Distributions from the Principal Account

I. Revolving Period

On each Payment Date with respect to the **Revolving Period**, to the extent the Maximum CDS Amount exceeds the aggregate Adjusted Notional Amount of all CDS Transactions less the aggregate Adjusted Notional Amount of the Hedging CDS Transactions (the "**Net Aggregate Adjusted Notional Amount**"), after payment of any Issuer Swap Payments, the Trustee will withdraw amounts up to such excess from the Principal Account and the Trustee will apply such amounts (and, unless there has been a Ratings Confirmation Failure that has not been cured, excluding from such amount any amount received during the Due Period relating to the Calculation Date immediately preceding such Payment Date to be applied by the Trustee during the related Due Period or the immediately succeeding Due Period to the purchase or entering into of Additional Portfolio Collateral with respect to which the Issuer, as of such Calculation Date, has entered into a commitment to purchase or enter into prior to the end of such succeeding Due Period) in the following order of priority (or, if there has been a Rating Confirmation Failure, in the amounts and order of priority, if any, required to obtain a Rating Confirmation in accordance with any Proposed Plan):

(i) to the payment of amounts described in clauses (A) through (G)(i) under "Distributions from the Payment Account—Adjusted Collateral Interest Collections," to the extent such amounts were not paid from Collateral Interest Collections with respect to such Payment Date;

(ii) to the extent such amounts have not been paid from Adjusted Collateral Interest Collections with respect to such Payment Date, to pay the Class A-1LA Funded Interest Amount and the Class A-1LA Unfunded Interest Amount, *pro rata*, or, if each of the Aggregate Principal Amount of the Class A-1LA Funded Notes and the Class A-1LA Unfunded Commitment has been reduced to zero and all other amounts due to the Class A-1LA Noteholders under the Class A-1LA Revolving Note Purchase Agreement are paid in full, the Cumulative Interest Amount with respect to the Class A-1LB Notes or, if the Class A-1LB Notes are no longer outstanding, the Cumulative Interest Amount with respect to the Class A-2L Notes or, if the Class A-2L Notes are no longer outstanding, the Cumulative Interest Amount with respect to the Class A-3L Notes or, if the Class A-3L Notes are no longer outstanding, the Cumulative Interest Amount with respect to the Class A-4L Notes or, if the Class A-4L Notes are no longer outstanding, the Cumulative Interest Amount with respect to the Class B-1L Notes or, if the Class B-1L Notes are no longer outstanding, the Cumulative Interest Amount with respect to the Class B-2L Notes or, if the Class B-2L Notes are no longer outstanding, the Cumulative Interest Amount with respect to the Class B-3L Notes; and

(iii) to the extent the Maximum CDS Amount continues to exceed the Net Aggregate Adjusted Notional Amount, the Issuer may (a) purchase or enter into items of Additional Portfolio Collateral in a Net Obligation Amount equal to such excess, or (b) apply such amounts in the order of priority set forth under clause (ii)(b) under "—Amortization Period" if a Sequential Trigger Event has occurred or clause (ii)(a) under "—Amortization Period" if no Sequential Trigger Event has occurred.

II. Amortization Period

On each Payment Date with respect to the **Amortization Period**, to the extent the Maximum CDS Amount exceeds the Net Aggregate Adjusted Notional Amount, after payment of any Issuer Swap Payments, the Issuer will withdraw amounts up to such excess from the Principal Account and such amounts will be applied by the Trustee to the payment of:

(i) the amounts described in clauses (i) and (ii) under "—Revolving Period" above, with respect to distributions from the Principal Account during the Revolving Period, to the extent such amounts have not been paid from Adjusted Collateral Interest Collections with respect to such Payment Date; and

(ii) (a) if no Sequential Trigger Event has occurred, *pro rata* (i) to pay the Aggregate Principal Amount of the Class A-1LA Funded Notes, (ii) to reduce the Class A-1LA Unfunded Commitment, (iii) to pay the Aggregate Principal Amount of the Class A-1LB Notes; (iv) to pay the Aggregate Principal Amount of the Class A-2L Notes; (v) to pay the Aggregate Principal Amount of the Class A-3L Notes; (vi) to pay the Aggregate Principal Amount of the Class A-4L Notes; (vii) to pay the Aggregate Principal Amount of the Class B-1L Notes; (viii) to pay the Aggregate Principal Amount of the Class B-2L Notes; and (ix) to pay the Aggregate Principal Amount of the Class B-3L Notes; and

(b) for each Payment Date on or after the occurrence of a Sequential Trigger Event, *first*, to pay in full the Aggregate Principal Amount of the Class A-1LA Funded Notes until such Notes are paid in full and all other amounts due to the Class A-1LA Noteholders under the Class A-1LA Revolving Note Purchase Agreement, until such amounts are paid in full and to reduce the Class A-1LA Unfunded Commitment until the Class A-1LA Unfunded Commitment is reduced to zero; *second*, to pay the Cumulative Interest Amount and the Aggregate Principal Amount of the Class A-1LB Notes, until such amounts are paid in full; *third*, to pay the Cumulative Interest Amount and the Aggregate Principal Amount of the Class A-2L Notes, until such amounts are paid in full; *fourth*, to pay the Cumulative Interest Amount and the Aggregate Principal Amount of the Class A-3L Notes, until such amounts are paid in full; *fifth*, to pay the Cumulative Interest Amount and the Aggregate Principal Amount of the Class A-4L Notes, until such amounts are paid in full; *sixth*, to pay the Cumulative Interest Amount and the Aggregate Principal Amount of the Class B-1L Notes, until such amounts are paid in full; *seventh*, to pay the Cumulative Interest Amount and the Aggregate Principal Amount of the Class B-2L Notes, until such amounts are paid in full; and *eighth*, to pay the Cumulative Interest Amount and the Aggregate Principal Amount of the Class B-

3L Notes, until such amounts are paid in full.

Distributions on the Final Maturity Date.

On the **Final Maturity Date** (including an Optional Redemption Date, Auction Call Redemption Date, Tax Redemption Date or any Payment Date on which the Aggregate Principal Amount of the Notes is paid in full as described herein), in accordance with the Note Valuation Report for the Calculation Date immediately preceding the Final Maturity Date (or in the case of an Optional Redemption, a Tax Redemption or an Auction Call Redemption, in accordance with the related redemption date statement delivered pursuant to the Indenture), the Class A-1LA Unfunded Commitment shall be permanently reduced to zero and Available Funds in the Note Collection Accounts (after payments of the amounts set forth in (A) through (G) under "—Adjusted Collateral Interest Collections") together with all available funds in the Expense Reimbursement Account, will be applied by the Trustee in the following order of priority:

(i) to pay to the Holders of the Class A-1LA Revolving Notes an amount equal to the applicable Cumulative Interest Amount, and then to pay the Aggregate Principal Amount of the Class A-1LA Funded Notes until such Notes are paid in full and then to pay all other amounts that are due to the Class A-1LA Noteholders pursuant to the Class A-1LA Revolving Note Purchase Agreement until such amounts are paid in full;

(ii) to pay the Cumulative Interest Amount with respect to the Class A-1LB Notes and such Payment Date;

(iii) to pay the Aggregate Principal Amount of the Class A-1LB Notes until the Aggregate Principal Amount of the Class A-1LB Notes is paid in full;

(iv) to pay the Cumulative Interest Amount with respect to the Class A-2L Notes and such Payment Date;

(v) to pay the Aggregate Principal Amount of the Class A-2L Notes, until the Aggregate Principal Amount of the Class A-2L Notes is paid in full;

(vi) to pay the Cumulative Interest Amount with respect to the Class A-3L Notes and such Payment Date;

(vii) to pay the Aggregate Principal Amount of the Class A-3L Notes, until the Aggregate Principal Amount of the Class A-3L Notes is paid in full;

(viii) to pay the Cumulative Interest Amount with respect to the Class A-4L Notes and such Payment Date;

(ix) to pay the Aggregate Principal Amount of the Class A-4L Notes, until the Aggregate Principal Amount of the Class A-4L Notes is paid in full;

(x) to pay the Cumulative Interest Amount with respect to the Class B-1L Notes and such Payment Date;

(xi) to pay the Aggregate Principal Amount of the Class B-1L Notes, until the Aggregate Principal Amount of the Class B-1L Notes is paid in full;

(xii) to pay the Cumulative Interest Amount with respect to the Class B-2L Notes and such Payment Date;

(xiii) to pay the Aggregate Principal Amount of the Class B-2L Notes, until the Aggregate Principal Amount of the Class B-2L Notes is paid in full;

(xiv) to pay the Cumulative Interest Amount with respect to the Class B-3L Notes and such Payment Date;

(xv) to pay the Aggregate Principal Amount of the Class B-3L Notes, until the Aggregate Principal Amount of the Class B-3L Notes is paid in full;

(xvi) to pay the Issuer Excess Administrative Expenses with respect to such Payment Date including all Issuer Excess Administrative Expenses with respect to a previous Payment Date that were not paid on a previous Payment Date;

(xvii) to pay to the Collateral Manager the Additional Collateral Management Fee with respect to such Payment Date and any Additional Collateral Management Fee with respect to a previous Payment Date that was not paid on a previous Payment Date; and

(xviii) to pay *pari passu*, (a) any termination payments, other than Issuer Senior Termination Payments, payable by the Issuer to a Swap Counterparty by reason of an event of default or termination event, (b) any payments payable by the Issuer to the TRS Swap Counterparty pursuant to the Total Return Swap, in each case, to the extent not previously paid and (c) any termination payments due under the Senior Prepaid Swap Agreements, where the Senior Prepaid Swap Counterparty is the "sole defaulting party" or the "sole affected party" (as such terms are defined in such Senior Prepaid Swap Agreements), to the extent not previously paid.

Any amount remaining after the payment or deposit of the amounts described in clauses (i) through (xviii) above will be paid to the Issuer, free and clear of the lien of the Indenture, to be applied to fund distributions to the holders of the Preference Shares in accordance with the provisions of the Paying and Transfer Agency Agreement. Reductions of the Class A-1LA Unfunded Commitment in respect of any principal collections received by the Issuer and paid in accordance with the foregoing priority of payments represent amounts used to make payments under the Total Return Swap or to purchase Eligible Investments.

Certain Payments on the CDS Transactions.

With respect to the CDS Transactions, if on any Business Day, any Fixed Rate Shortfall Amount relating to a CDS Transaction that is subject to a "Variable Cap," Physical Settlement Amount, Principal Shortfall Amount, Trading Loss Payment or Writedown Amount is due and payable by the Issuer, before any disbursements are made pursuant to the priority of payments provisions described above under "Description of the Notes—Payments on the Notes; Priority of Distributions," any such Fixed Rate Shortfall Amount, Physical Settlement Amount, Principal Shortfall Amount, Trading Loss Payment or Writedown Amount that is due will be paid as described below without regard to the priority of payments provisions described above under "Description of the Notes—Payments on the Notes; Priority of Distributions." With respect to any such Fixed Rate Shortfall Amount, Physical Settlement Amount, Principal Shortfall Amount, Trading Loss Payment or Writedown Amount that is due, the Trustee will be required to:

(A) first, solely with respect to any such Fixed Rate Shortfall Amount, withdraw funds from the Note Collection Account (applying such withdrawal from, first, cash and second, by liquidating Eligible Investments) and applying such funds to the payment of such Fixed Rate Shortfall Amount until paid in full or the amount in such account is otherwise reduced to zero;

(B) second, withdraw funds from the Principal Account (applying such withdrawal from, first, cash and second, by liquidating Eligible Investments) and applying such funds to the payment of such Fixed Rate Shortfall Amount, Physical Settlement Amount, Principal Shortfall Amount, Trading Loss Payment or Writedown Amount until paid in full or the amount in such account is otherwise reduced to zero;

(C) third, withdraw funds from the UA Collateral Sub-Account, and applying such funds to the payment of such Fixed Rate Shortfall Amount, Physical Settlement Amount, Principal Shortfall Amount, Trading Loss Payment or Writedown Amount until paid in full or the amount in such account is otherwise reduced to zero; and

(D) fourth, draw on the Class A-1LA Unfunded Notes up to the Class A-1LA Unfunded Commitment and apply the proceeds of such Class A-1LA Note Funding to the payment of such Fixed Rate Shortfall Amount, Physical Settlement Amount, Principal Shortfall Amount, Trading Loss Payment or Writedown Amount until paid in full or the Class A-1LA Unfunded Commitment has been reduced to zero;

provided, that in the event that protection payments in respect of a Fixed Rate Shortfall Amount are paid pursuant to the foregoing clauses (B), (C) or (D), any proceeds in the Collection Account on the next Calculation Date shall be applied on the related Payment Date (without regard to the priority of payments described under "—Revolving Period and Amortization Period" above *first*, to repay the Holders of the Class A-1LA Funded Notes, *second*, to make a deposit in the UA Collateral Sub-Account and *third*, to make a deposit into the Principal Account, in each case up to the same amounts as were withdrawn from such Accounts or received from the Class A-1LA Noteholders to make such payments.

Optional Redemption

Subject to certain conditions, including that the Notional Amount of the Credit Default Swaps and the Class A-1LA Unfunded Commitment on the Optional Redemption Date will be reduced to zero and all amounts payable to (i) each Swap Counterparty under the related Credit Default Swap, (ii) the TRS Swap Counterparty under the Total Return Swap and (iii) the Senior Prepaid Swap Counterparty under the Senior Prepaid Swap will have been paid in full and that the Balance of Eligible Investments, Underlying Assets and cash in the Note Collection Accounts (after liquidating all Underlying Assets, items of Non-Synthetic Portfolio Collateral and any Delivered Obligations) and the Expense Reimbursement Account are sufficient to pay the Optional Redemption Price, the Notes are redeemable by the Issuer, at the direction of the Majority Preference Shareholders (such direction to be delivered not later than thirty (30) Business Days prior to the proposed Optional Redemption Date), with the consent of the Collateral Manager (an "**Optional Redemption**"), in whole but not in part, on any Payment Date (the "**Optional Redemption Date**," which date shall be considered the Final Maturity Date) on or after the Payment Date occurring in January 2011, at a price equal to the Optional Redemption Price. No such Optional Redemption may occur unless all Outstanding Notes are redeemed and unless all amounts owing to each Swap Counterparty under the related Credit Default Swaps, the Senior Prepaid Swap Counterparty under the Senior Prepaid Swap and the TRS Swap Counterparty under the Total Return Swap, and all payments, fees, indemnities and expenses as set forth in the Indenture are paid in full. The Trustee shall liquidate Non-Synthetic Portfolio Collateral, Underlying Assets and Eligible Investments in the Note Collection Accounts and use all Available Funds in the Note Collection Accounts to provide for payment of the Optional Redemption Price and any termination payments and other amounts due to the Swap Counterparties and the TRS Swap Counterparty. For so long as any Class of Notes is listed on any stock exchange, the Trustee will give notice of an Optional Redemption to such stock exchange.

Tax Redemption

Subject to certain conditions, including that the Notional Amount of the Credit Default Swaps and the Class A-1LA Unfunded Commitment on the Tax Redemption Date will be reduced to zero and all amounts payable to (i) each Swap Counterparty under the related Credit Default Swap, (ii) the TRS Swap Counterparty under the Total Return Swap and (iii) the Senior Prepaid Swap Counterparty under the Senior Prepaid Swap will have been paid in full and that the Balance of Eligible Investments, Underlying Assets and cash in the Note Collection Accounts (after liquidating all Underlying Assets, items of Non-Synthetic Portfolio Collateral and any Delivered Obligations) and the Expense Reimbursement Account are sufficient to pay the Tax Redemption Price, the Notes will be redeemable (a "**Tax Redemption**"), in whole but not in part, on any Payment Date (the "**Tax Redemption Date**" which date shall be considered the Final Maturity Date) at the direction of either (i) the holders of a majority in Aggregate Principal Amount of any Affected Class of Notes or (ii) the Majority Preference Shareholders. The Issuer may use all Available Funds in the Note Collection Accounts to provide for payment of the Tax Redemption Price. No such Tax Redemption may occur unless all Outstanding Notes are redeemed and unless all amounts owing to the Swap Counterparties, the Senior Prepaid Swap Counterparty and the TRS Swap Counterparty and all payments, fees and expenses as set forth in the Indenture are paid in full. Any Tax Redemption may only be effected if a Tax Event shall have occurred and the Tax Materiality Condition is satisfied. For so long as any Class of Notes is listed on any stock exchange, the Trustee will give notice of any redemption which the Issuer and the Collateral Manager have directed to such stock exchange.

Auction Call Redemption

On the Payment Date occurring in January 2014 (the "**First Auction Call Date**") and on each subsequent Payment Date (a "**Subsequent Auction Call Date**," and together with the First Auction Call Date, each, an "**Auction Date**") (unless previously redeemed) the Notes will be redeemable (an "**Auction Call Redemption**"), in whole but not in part, from (a) the proceeds received from the assignment or termination of the Credit Default Swaps and (b) the Balance of Eligible Investments, Underlying Assets and cash in the Note Collection Accounts (after liquidating all Underlying Assets, any Delivered Obligations and items of Non-Synthetic Portfolio Collateral) and the Expense Reimbursement Account, at the Auction Call Redemption Price (as defined below); but only if funds under clauses (a) and (b) are sufficient to pay the Auction Call Redemption Amount (as defined below) to redeem all of the Outstanding Notes simultaneously and pay all amounts owing under the Credit Default Swaps and the Total Return Swap *plus* all payments, fees and expenses owing under the Indenture. The definition of the Auction Call Redemption Price requires that in connection with an Auction with respect to any Payment Date through and including the Payment Date occurring in January 2015, a payment be made to the Preference Shares in an amount sufficient to provide the holders of Preference Shares (after taking into account all prior payments) with an Internal Rate of Return of at least 10%; therefore, through and including the Payment Date occurring in January 2015, no Auction Call Redemption may occur unless the proceeds from the Auction are sufficient to pay to the holders of Preference Shares an amount sufficient to provide such holders with such Internal Rate of Return. After the Payment Date occurring in January 2015, there will be no Internal Rate of Return requirement for any Auction Call Redemption. To the extent that there are any amounts remaining in excess of the Auction Call Redemption Amount (as defined below), such excess amounts will constitute excess cash flow in accordance with the Indenture and be paid into the account maintained by the Preference Share Paying and Transfer Agent pursuant to the Paying and Transfer Agency Agreement to be distributed, subject to the provisions of the Paying and Transfer Agency Agreement, to the holders of the Preference Shares.

Any auction conducted in connection with an Auction Call Redemption (an "**Auction**") shall be carried out in accordance with the auction procedures set forth in the Indenture (the "**Auction Procedures**"). Pursuant to the Indenture, the Issuer has designated the Trustee as the Auction Agent (in such capacity, the "**Auction Agent**") in connection with the assignment or termination of the Credit Default Swaps and the disposition of the Non-Synthetic Portfolio Collateral and any Delivered Obligations with respect to the Auction Call Redemption. In the event of an assignment or disposition, the Trustee shall assign or sell, in whole or in part, the Credit Default Swaps, any Delivered Obligations or the Non-Synthetic Portfolio Collateral (as applicable), to the highest bidders for such assets (or to the highest bidder for discrete subpools of such assets) at the Auction; *provided* that (i) the Auction has been conducted in accordance with the Auction Procedures, (ii) at least one bid is received from an eligible bidder by the Auction Agent (which bid may be based upon a fixed spread above or below a generally recognized index) for the assignment or disposition of the Credit Default Swaps, any Delivered Obligations or Non-Synthetic Portfolio Collateral (as applicable) or each subpool of Credit Default Swaps, any Delivered Obligations or Non-Synthetic Portfolio Collateral, (iii) the Trustee determines that the highest price bid by one or more eligible bidders for such items of Portfolio Collateral or the sum of the highest prices bid by one or more eligible bidders for each subpool of Portfolio Collateral would result in a cash price for the Portfolio Collateral which, together with the Balance of all the Eligible Investments, Underlying Assets and cash in the Note Collection Accounts and the Expense Reimbursement Account, will be at least equal to the Auction Call Redemption Amount (as defined below); and (iv) each bidder who offered the highest bid for the Portfolio Collateral or for one or more of the subpools enters into a written agreement with the Issuer obligating the highest bidder (or the highest bidder for each subpool) to purchase the Non-Synthetic Portfolio Collateral or any Delivered Obligations, as applicable, or assume all of the Credit Default Swaps (or all of such subpool), with the closing of such purchase or assignment (and full payment in cash to the Trustee) to occur on or before the tenth Business Day prior to the scheduled Auction Call Redemption Date.

The Collateral Manager and any of its affiliates will be, and the Trustee and any of its affiliates will not be, permitted to participate as a bidder in an Auction.

If any single bid, or the aggregate amount of multiple bids, together with the Balance of all the Eligible Investments, Underlying Assets and cash in the Note Collection Accounts and Expense Reimbursement Account, does not equal or exceed the Auction Call Redemption Amount (as defined below), or if there is a failure at settlement, then the redemption of Notes on the related Auction Date will not occur. If the Auction Call Redemption

is not successfully completed on any Auction Date, the Auction Agent shall conduct an Auction in accordance with the Auction Procedures on each subsequent Auction Date until an Auction Call Redemption is completed successfully.

The "**Auction Call Redemption Amount**" means, as of the Auction Call Redemption Date, the aggregate amount (without duplication) in immediately available funds required to pay the Aggregate Base Fees and Expenses, any termination payments (including Issuer Senior Termination Payments) or other payments payable to the Swap Counterparties under the Credit Default Swaps, any Issuer Excess Administrative Expenses (including any fees and expenses incurred by the Issuer, the Collateral Manager, the Trustee or the Auction Agent in connection with the Auction Call Redemption) and any accrued and unpaid Additional Collateral Management Fees, and to pay the Auction Call Redemption Price on the scheduled redemption date (the "**Auction Call Redemption Date**") at the Auction Call Redemption Price therefor (as defined below).

The "**Auction Call Redemption Price**" is the sum of (i) the Aggregate Principal Amount of each Class of Notes (other than the Class A-1LA Revolving Notes) as of the Auction Call Redemption Date, (ii) the applicable Cumulative Interest Amount with respect each Class of Notes (other than the Class A-1LA Revolving Notes) as of the Auction Call Redemption Date, (iii) with respect to the Class A-1LA Revolving Notes, the Aggregate Principal Amount of the Class A-1LA Funded Notes (and a reduction of the Class A-1LA Unfunded Commitment to zero), together with the Class A-1LA Unfunded Interest Amount and the Class A-1LA Funded Interest Amount due on the Auction Call Redemption Date and (iv) the Preference Shares Auction Call Redemption Price. The "**Preference Shares Auction Call Redemption Price**" shall mean (i) with respect to any Payment Date through and including the Payment Date occurring in January 2015, an amount sufficient to provide the Preference Shares (after taking into account all prior payments) with an Internal Rate of Return of at least 10%; and (ii) with respect to any Payment Date after the Payment Date occurring in January 2015, zero.

The Trustee will, not less than ten and not more than thirty Business Days prior to a relevant Auction Call Redemption Date, give the Holders of the Notes, the Preference Shareholders, the Collateral Manager, the Paying Agent and Rating Agencies notice of the redemption of the Notes and the amount (if any) of any distribution on the Preference Shares on such Payment Date. For so long as any Class of Notes is listed on any stock exchange, the Trustee will give notice of any redemption which the Issuer and the Collateral Manager have directed to such stock exchange.

Prescription

Payment in respect of the Notes will cease to be due if not paid to the Holder due to insufficient instructions for a period of twenty years from the Relevant Date therefor. "**Relevant Date**" means the Final Maturity Date, except that if the full amount payable on the Notes has not been duly received by the Trustee or Paying Agent on or prior to the Final Maturity Date, the "**Relevant Date**" shall be the date on which such monies have been so received.

Form, Transfer and Transfer Restrictions

Upon issuance, the Notes of each Class (other than the Class A-1LA Revolving Notes) sold to non-U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) (each, a "**non-U.S. Person**") in Offshore Transactions (as defined in Regulation S) in reliance on Regulation S, initially will be represented by a single, temporary global note in fully registered form without interest coupons (the "**Temporary Regulation S Global Note**"), the Issuer will deposit such Notes (other than the Class B-3L Notes) with the Trustee as custodian for, and registered in the name of a nominee on behalf of The Depository Trust Company ("**DTC**") and the Issuer will deposit such Class B-3L Notes with DTC as common depository, in each case, on behalf of Euroclear Bank, S.A./N.V., as operator of The Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**").

Subject to the receipt by the Trustee of a certificate in the form provided by the Indenture from the person holding such interest, a beneficial interest in the Temporary Regulation S Global Note may be exchanged for (i)

after the 40th day after the later of the conclusion of the offering and the Closing Date (the "**Exchange Date**"), an interest in a permanent global note in fully registered form without coupons (the "**Permanent Regulation S Global Note**" and, together with the Temporary Regulation S Global Note, the "**Regulation S Global Notes**"), in an amount equal to the aggregate principal amount of such interest in the Temporary Regulation S Global Note or (ii) at any time for an interest in a Rule 144A Global Note (defined below), or, in the case of the Class B-3L Notes, a Definitive Note (defined below) if a beneficial interest in a Regulation S Global Note will be transferred to a Qualified Institutional Buyer who is a U.S. Person (defined below), which note will be registered in the name of such person.

Upon deposit of the Permanent Regulation S Global Note of a Class with the Trustee, as custodian for DTC or the common depository, as applicable, Euroclear or Clearstream, as the case may be, will credit each purchaser (or its agent or custodian) with a principal amount of Notes of such Class equal to the principal amount thereof for which it has paid. The Holder of the Regulation S Global Notes (which will be DTC or its nominee) shall be the only person entitled to receive payments in respect of the Notes represented by such Regulation S Global Notes, and the Co-Issuers will be discharged by payment to, or to the order of, such Holder of such Regulation S Global Notes in respect of each amount so paid. Each of the persons shown in the records of Euroclear or of Clearstream as the Holder of a particular principal amount of Regulation S Global Notes must look solely to Euroclear or Clearstream, as the case may be, for its share of each payment so made by the Co-Issuers to, or to the order of, the Holder of such Regulation S Global Notes. No person other than the Holder of the Regulation S Global Notes shall have any claim against the Co-Issuers in respect of any payments due on the Regulation S Global Notes.

Payments on the Regulation S Global Notes will be made pursuant to certain procedures established by DTC, *provided* that the final payment of principal and interest will be made upon presentation and endorsement of such Regulation S Global Notes at the office of a Paying Agent.

Definitive fully registered notes ("**Definitive Notes**") will be issued and exchanged for each Permanent Regulation S Global Note within 30 days of the occurrence of any of the following: (i) the Notes or any of them become immediately due and payable following an Event of Default under the Indenture; (ii) either Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Trustee is available or (iii) as a result of any amendment to, or change in, the laws or regulations of Cayman Islands or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Co-Issuers or the Paying Agents are or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive registered form. Notwithstanding the foregoing, interests in any Temporary Regulation S Global Note or any definitive registered Note purchased by a non-U.S. Person in an Offshore Transaction in accordance with Regulation S may not be exchanged for a Definitive Note until receipt by the Trustee from the owner of such beneficial interest of a certificate in the form provided by the Indenture.

Upon issuance, the Notes (other than the Class A-1LA Revolving Notes and the Class B-3L Notes) sold in the United States to Qualified Institutional Buyers will be issued in book-entry form ("**Rule 144A Global Notes**") only through the facilities of DTC. So long as DTC or its nominee is the registered holder of the Rule 144A Global Notes, DTC or such nominee, as the case may be, will be considered the absolute owner or holder of the Notes represented by such Rule 144A Global Notes for all purposes under the Indenture and such Notes. DTC or such nominee, as the case may be, will be the only person entitled to receive payments in respect of the Notes represented by such Rule 144A Global Notes and the Co-Issuers will be discharged by payment to DTC or such nominee. Each of the persons shown in the records of DTC as the beneficial owner of a Rule 144A Global Note must look solely to DTC for its share of each payment made by the Issuer to DTC. No person other than DTC shall have any claim against the Co-Issuers in respect of any payment due under the Rule 144A Global Notes. The Class B-3L Notes sold to U.S. Persons, if any, will be issued, sold and delivered in definitive fully-registered form only.

The Class A-1LA Revolving Notes offered and sold outside the United States pursuant to Regulation S under the Securities Act or offered and sold to Qualified Institutional Buyers pursuant to Rule 144A under the Securities Act will be issued only in definitive, fully registered form.

Payments on the Rule 144A Global Notes will be made in accordance with the established procedures of DTC and the Co-Issuers will have no liability therefor. In addition, no beneficial owner of an interest in a Rule 144A Global Note will be able to exchange or transfer such interest except in accordance with the applicable procedures of DTC. None of the Issuer, the Co-Issuer, the Trustee, the Collateral Manager, the Registrar or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Rule 144A Global Notes or for maintaining, supervising or reviewing any records relating thereto.

Definitive Notes will be issued and exchanged for each Rule 144A Global Note within 30 days of the occurrence of any of the following: (i) the Notes or any of them become immediately due and payable following an Event of Default under the Indenture; or (ii) DTC notifies the Issuer or the Trustee in writing that it is unwilling or unable to discharge properly its responsibilities as a depository with respect to the Rule 144A Global Notes or it ceases to be a "clearing agency" registered under the Exchange Act (defined below), and the Issuer and the Trustee are unable to locate a qualified successor within 90 days after such notice.

Definitive Notes may be presented for registration of transfer (with the form of transfer endorsed thereon duly executed), at the office of the Registrar, without service charge but upon payment of any taxes and other governmental charges as described in the Indenture. Any registration of transfer will be effected upon the Trustee being satisfied with the documents of title and identity of the person making the request, upon their receipt of any applicable certificates and opinions relating to transfer restrictions, as described below, and subject to such reasonable regulations as the Issuer may from time to time agree with the Trustee, all as described in the Indenture.

The Issuer has initially appointed the Trustee as Registrar. Definitive Notes may be presented for payment or for transfer or exchange at the offices of the Registrar. The Issuer reserves the right to vary or terminate the appointment of the Registrar or to appoint additional or other registrars or to approve any change in the office through which any Registrar acts.

For so long as any Class of Notes is listed on any stock exchange and the rules of such exchange shall so require, the Issuer will have a listing agent and a paying agent (which shall be the "**Listing and Paying Agent**") for the Notes and payments on such Notes may be effected through the Listing and Paying Agent. In the event that the Listing and Paying Agent is replaced at any time during such period, notice of the appointment of any replacement will be given to such stock exchange in accordance with its procedures.

A beneficial interest in a Regulation S Global Note may only be transferred to (a) a non-U.S. person in an offshore transaction (as defined in Regulation S) (an "**Offshore Transaction**") in accordance with Regulation S (and in accordance with certain certification requirements in the Indenture) or (b) after the Exchange Date, a person who takes delivery in the form of an interest in a Rule 144A Global Note and who delivers a written certification (in the form provided in the Indenture) to the effect that such person is a Qualified Institutional Buyer and is acquiring such interest for its own account (together with certain other requirements set forth in the Indenture). Upon any exchange of a portion of a Regulation S Global Note for a Rule 144A Global Note or a Definitive Note, the Trustee shall endorse such Regulation S Global Note to reflect the reduction of the principal amount evidenced thereby.

Definitive Notes (or any interest therein) may only be transferred in accordance with the applicable laws of any State of the United States and (a) in a transaction exempt from the registration requirements of the Securities Act involving a Qualified Institutional Buyer who is a U.S. Person as transferee (in accordance with the certification requirements of the Indenture) or (b) to a person who takes delivery in the form of a beneficial interest in a Regulation S Global Note and in such case only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a Non-U.S. Person in accordance with Regulation S. Upon any exchange of a Definitive Note for a beneficial interest in a Regulation S Global Note, the Trustee shall endorse such Regulation S Global Note to reflect the increase in the principal amount evidenced thereby.

The Registrar for the Notes will not be required to accept for registration of transfer any Note except upon presentation of a certificate substantially in the form required by the Indenture representing that these restrictions on

transfer have been complied with, and, if requested by the Issuer or the Trustee, an opinion of counsel in form and substance satisfactory to the Issuer or the Trustee to the effect that such transfer has been made in compliance with an applicable exemption from the registration requirements of the Securities Act and in accordance with any applicable securities laws of any state of the United States and any other jurisdiction. See "Delivery of the Notes; Transfer Restrictions; Settlement."

In addition, sales or other transfers of the Notes may only be made to a purchaser or other transferee (other than a non-U.S. Person in an offshore transaction under Regulation S) that is a Qualified Purchaser in a sale or transfer that would not require the Co-Issuers to become subject to the requirements of the Investment Company Act and the Notes will bear a legend to this effect. See "Delivery of the Notes; Transfer Restrictions; Settlement."

Each prospective purchaser will be deemed to (i) represent that such prospective purchaser is (a) a Qualified Institutional Buyer and is purchasing or acquiring Notes solely for its own account or (b) a non-U.S. Person, (ii) represent that such prospective purchaser is a Qualified Purchaser or a non-U.S. Person and (iii) have made the additional representations described under "Delivery of the Notes; Transfer Restrictions; Settlement."

See also "Certain ERISA Considerations."

DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). DTC was created to hold securities for its participants (the "**DTC Participants**") and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic computerized book-entries, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to the DTC system also 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 ("**Indirect Participants**").

Unless and until Definitive Notes are issued, all references to actions by Holders of the Rule 144A Global Notes holding through DTC will refer to actions taken by DTC upon instructions received from beneficial owners of the Rule 144A Global Notes through DTC Participants, and all references herein to payments, notices, reports, statements and other information to Holders of Rule 144A Global Notes will refer to payments, notices, reports and statements to DTC or its nominees, as the registered Holder of the Rule 144A Global Notes, for distribution to beneficial owners of Rule 144A Global Notes through DTC Participants in accordance with DTC procedures.

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional depository. Clearstream, Luxembourg holds securities for its participating organizations ("**Clearstream, Luxembourg Participants**") and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg Participants through electronic book-entry changes in accounts of Clearstream, Luxembourg Participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its Clearstream, Luxembourg Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg interfaces with domestic markets in several countries. As a professional depository, Clearstream, Luxembourg is subject to regulation by the Luxembourg Monetary Institute. Clearstream, Luxembourg Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the Initial Purchaser. Indirect access to Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg Participant, either directly or indirectly.

Euroclear was created to hold securities for participants of the Euroclear system ("**Euroclear Participants**") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. The Euroclear system includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. Euroclear is operated by

Euroclear Bank S.A./N.V. (the "**Euroclear Operator**"), under contract with Euroclear Clearance System, S.C., a Belgian cooperative corporation (the "**Cooperative**"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for the Euroclear system on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Initial Purchaser. Indirect access to the Euroclear system is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

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

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law (collectively, the "**Terms and Conditions**"). The Terms and Conditions govern transfers of securities and cash within the Euroclear system, withdrawal of securities and cash from the Euroclear system, and receipts of payments with respect to securities in the Euroclear system. All securities in the Euroclear system are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants and has no record of or relationship with persons holding through Euroclear Participants.

SECURITY FOR THE NOTES

The Notes will be secured by the Trust Estate. The Trust Estate will consist of (i) the Non-Synthetic Portfolio Collateral, (ii) Eligible Investments and Underlying Assets in the Accounts, (iii) the Note Collection Accounts (including any sub-account thereof), (iv) the Issuer's rights under the Credit Default Swaps and the Total Return Swap, (v) the Issuer's rights under the Senior Prepaid Swap Agreements and the Class A-1LA Revolving Note Purchase Agreement, (vi) the Issuer's rights under the Collateral Management Agreement, (vii) the Expense Reimbursement Account, (viii) the Closing Expense Account, (ix) the Delivered Obligation Account, (x) the Custodial Account, (xi) the Payment Account, (xii) the Initial Deposit Account, (xiii) the TRS Counterparty Collateral Account, (xiv) the Hedging CDS Reserve Account, the Short CDS Reserve Account, the Class A-1LA Downgraded Holder Reserve Account and the Swap Posting Account and (xv) all income and proceeds of the foregoing. A portion of the Closing Date proceeds from the Senior Prepaid Swap Agreements will be deposited on the Closing Date to the Closing Expense Account for pay for certain delayed closing expenses.

Portfolio Collateral—General

The Portfolio Collateral (including Original Portfolio Collateral and Additional Portfolio Collateral) when purchased or entered into (or when committed to be purchased or entered into) by the Issuer will consist of Non-Synthetic Portfolio Collateral and Credit Default Swaps. Eligibility criteria, collateral quality tests and trading restrictions are described below under "—Changes in Composition of Portfolio Collateral."

Asset-Backed Securities

Asset-Backed Securities are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities. After the Closing Date, to the extent the Rating Agencies update or change certain designations of Specified Types, the Collateral Manager may designate Asset-Backed Securities in accordance with such new Specified Types so long as such designation satisfies the Rating Condition.

An Asset-Backed Security generally is created by the transfer of assets or collateral to a special purpose entity (which may be a trust, limited liability company, corporation or other entity), which becomes the issuer of the

Asset-Backed Securities. The special purpose entity may issue securities in the form of debt secured by the underlying assets or representing ownership interests in the underlying assets. Generally, a servicer (often the originator) is responsible for collecting the cash flow generated by the underlying assets and distributing such cash flow (through a trustee) to securityholders in accordance with the terms of the securities. In certain transactions, the trustee performs these functions.

The structure of an Asset-Backed Security and the terms of the investors' interest in the underlying assets may vary widely depending on the type of collateral, the tax, accounting or regulatory treatment desired by the originator, investor preferences and the use of credit enhancement. Asset-Backed Securities may bear interest at fixed or floating rates. The Reference Obligations may consist of mezzanine or subordinated securities which bear the risk of loss on the underlying assets and which may have payments interrupted if insufficient funds are available or if available amounts are redirected upon failure to satisfy a covenant or test.

See "Risk Factors—Nature of the Portfolio Collateral; Ability to Acquire or Enter Into Additional Portfolio Collateral; Availability of Funds for Subordinate Payments" and "—Changes in Composition of Portfolio Collateral by Collateral Manager Under Certain Circumstances."

The Credit Default Swaps

The following description of the Credit Default Swaps consists of a summary of certain provisions of the Credit Default Swaps. The following summary does not purport to be complete, and prospective investors must refer to the Credit Default Swaps for more detailed information regarding the Credit Default Swaps. Copies of each Master Agreement and the related Confirmations will be available to Noteholders from the Trustee.

Each Credit Default Swap will be made pursuant to a 1992 ISDA Master Agreement (Multicurrency-Cross Border), including the schedule and any credit support annex thereto (a "**Master Agreement**"), between the Issuer and the related Swap Counterparty, and a master confirmation between such parties (separately for the Reference Obligations that are CMBS Securities, RMBS Securities and CDO Securities) as supplemented by a separate letter of execution or similar short-form confirmation of transaction (a "**Confirmation**") evidencing each separate CDS Transaction, Hedging CDS Transaction, Short CDS Transaction and Hedging Short CDS Transaction. Each Credit Default Swap will constitute a separate transaction separate and distinct from all other Credit Default Swaps (including those documented under the same master confirmation) and will relate to an individual Reference Obligation or an index of Reference Obligations. The Credit Derivatives Definitions will apply to, and be incorporated by reference into, each Credit Default Swap.

Under certain circumstances specified in each Master Agreement, the Issuer or the related Swap Counterparty may terminate the Master Agreement or the individual Credit Default Swaps made thereunder, in which event the Issuer or the related Swap Counterparty may be required to make termination payments.

Each Credit Default Swap executed by the Issuer after the Closing Date will be a Form-Approved Credit Default Swap.

The initial Swap Counterparty is RBS. Any additional Swap Counterparty is required to be a Qualifying Swap Counterparty.

Each Credit Default Swap will have a specified notional amount (the "**Notional Amount**" with respect to such Credit Default Swap) which, multiplied by the related Reference Price, represents the dollar amount of the credit exposure which the Issuer or the counterparty, as applicable, is assuming with respect to the Reference Obligation related to such Credit Default Swap. With respect to each of the CDS Transactions, Hedging CDS Transactions, Short CDS Transactions and Hedging Short CDS Transactions, the "**Aggregate Notional Amount**" is the sum of the Notional Amounts of all such CDS Transactions, Hedging CDS Transactions, Short CDS Transactions and Hedging Short CDS Transactions.

The Issuer may also enter into Hedging CDS Transactions (the "**Hedging CDS Transactions**") to be entered into with a Swap Counterparty to the extent described herein. Under each Hedging CDS Transaction, the

Issuer will purchase protection from a Swap Counterparty with respect to a Reference Obligation for which it has assumed credit exposure under the corresponding CDS Transaction. The Issuer will pay to the Swap Counterparty a fixed rate amount (the "**Hedging CDS Transaction Fixed Rate**") specified in the Hedging CDS Transaction which will be netted from the Fixed Rate Counterparty Payment due from the Swap Counterparty. To the extent the Hedging CDS Transaction Fixed Rate due to a Swap Counterparty exceeds the Fixed Rate Counterparty Payment due from such Swap Counterparty, the Issuer will pay such amount from amounts on deposit in the Note Collection Account. If the Issuer enters into a Hedging CDS Transaction with respect to any CDS Transaction, upon the occurrence of a credit event with respect to such CDS Transaction, such Hedging CDS Transaction and the related portion of the CDS Transaction will terminate at no cost to either party. During the Amortization Period, the Collateral Manager will not terminate a Hedging CDS Transaction unless its corresponding CDS Transaction is terminated as well. Although each Hedging CDS Transaction is generally required to meet the requirements of a "CDS Transaction" described herein, references to "CDS Transaction" herein generally will not refer to Hedging CDS Transactions, unless expressly so stated.

The CDS Transactions and the related Reference Obligations are required to have the characteristics and satisfy the criteria described herein under "—The Credit Default Swaps" and "—Changes in Composition of Portfolio Collateral" although there is no assurance that such criteria will be satisfied on any date and failure to satisfy any criteria is not an Event of Default under the Indenture.

Each Credit Default Swap will terminate by its terms no later than the latest legal final maturity of a Reference Obligation thereunder (the "**Scheduled Termination Date**").

The Collateral Manager may, at any time and from time to time on any Business Day during the Revolving Period, enter into new CDS Transactions, or terminate, assign, hedge or amend the schedule to, existing CDS Transactions; *provided* that any amendment of a Credit Default Swap that could reasonably be expected to have a material adverse effect on the Class A-1LA Noteholders requires prior written consent of the Majority Class A-1LA Noteholders. To the extent there are any additional payments due to the Issuer as a result of (i) the assignment of a Credit Default Swap to a Qualifying CDS Transferee or (ii) the termination of a Credit Default Swap (a **"Trading Gain Payment"**), the Issuer will deposit such Trading Gain Payment into the Principal Account to be invested in Eligible Investments, Underlying Assets or Non-Synthetic Portfolio Collateral, as determined by the Collateral Manager. Trading Gain Payments will not include the net present value of any intermediation fee earned by the Swap Counterparty in respect of the related Credit Default Swap. To the extent the Issuer is obligated to make an additional payment to the Swap Counterparty or a Qualifying CDS Transferee as a result of (i) the assignment of a Credit Default Swap to a Qualifying CDS Transferee or (ii) the termination of a Credit Default Swap (a "**Trading Loss Payment**"), the Issuer will obtain funds by liquidating Eligible Investments in the Principal Account and Underlying Assets in the UA Collateral Sub-Account, or, to the extent such funds are not available, by drawing down on the Class A-1LA Unfunded Commitment. Trading Loss Payment will not include the net present value of any intermediation fee earned by the Swap Counterparty in respect of the related Credit Default Swap.

The consent of the relevant Swap Counterparty will be required to permit the Issuer to assign a Credit Default Swap, such consent not to be unreasonably withheld and to be in good faith. No consent of the Noteholders will be required to terminate or assign the Credit Default Swaps. As a result of terminating or assigning the Credit Default Swaps, the Issuer may be obligated to make a payment to the Swap Counterparties or to the parties to which the Credit Default Swaps have been assigned.

Swap Counterparty Payments

Pursuant to each CDS Transaction, within 5 Business Days after a Reference Obligation payment date (as set forth in the CDS Transaction), the Swap Counterparty will pay a fixed rate amount *minus* any related Fixed Rate Shortfall Amount (the "**Fixed Rate Counterparty Payments**") to the Issuer, with respect to each Periodic Interest Accrual Period prior to the Scheduled Termination Date. Such payments will be deposited into the Collection Account and distributed in the order of priority described under "Description of the Notes—Payments on the Notes; Priority of Distributions." The Swap Counterparty will also pay to the Issuer any Trading Gain Payment, any Fixed Rate Shortfall Reimbursement Payment, any Writedown Reimbursement Payment Amount and any Principal Shortfall Reimbursement Payment Amount.

Fixed Rate Counterparty Payments will be made net of any Hedging CDS Transaction Fixed Rate and any Short CDS Transaction Fixed Rate due to the Swap Counterparty.

Each Credit Default Swap, other than those referencing a CDO Security, will have a "Fixed Cap." Under a "Fixed Cap", upon the occurrence of any interest shortfall with respect to the related Reference Obligation, the fixed rate amount payable by the Swap Counterparty to the Issuer (or, with respect to any Short CDS Transaction, by the Issuer to a Swap Counterparty) will be reduced by an amount equal to such interest shortfall (a "**Fixed Rate Shortfall Amount**"), such reduction amount not to exceed the fixed rate amount. Each Credit Default Swap referencing a CDO Security, will have either a "Fixed Cap" or "Variable Cap." Under a "Variable Cap", upon the occurrence of any interest shortfall with respect to the related Reference Obligation, the Fixed Rate Shortfall Amount payable by the Issuer will be calculated in accordance with the Variable Cap description under the related CDS Transaction or Hedging Short CDS Transaction and may be greater than the fixed rate amount. To the extent the Fixed Rate Shortfall Amount exceeds the fixed rate amount payable by the Swap Counterparty, the Issuer shall be obligated to pay the difference to the Swap Counterparty. If any amount in satisfaction of the interest shortfall which gave rise to any Fixed Rate Shortfall Amount, including interest accrued thereon, is later paid with respect to a Reference Obligation, the Swap Counterparty will pay such amount, or in certain circumstances a portion of such amount (subject to the cumulative Fixed Rate Shortfall Amount being not less than the cumulative interest shortfall of such Reference Obligation), to the Issuer as a reimbursement of such Fixed Rate Shortfall Amount (a "**Fixed Rate Shortfall Reimbursement Payment**"). Fixed Rate Shortfall Reimbursement Payments will not exceed the cumulative Fixed Rate Shortfall Amount (*plus* any interest thereon) previously withheld from the Issuer relating to such Reference Obligation. In addition, the Swap Counterparty will also pay any Principal Shortfall Reimbursement Payment Amount and Writedown Reimbursement Payment Amount.

The Swap Counterparty may be required to make payments to the Issuer in connection with the entering into of a CDS Transaction which references an index of Reference Obligations at a discount.

Issuer Swap Payments

The Issuer will pay to the Swap Counterparty or a Qualifying CDS Transferee any Trading Loss Payments to the extent there are losses as a result of an assignment or termination of a CDS Transaction.

The Issuer will also make certain payments to the Swap Counterparty following the occurrence of a Credit Event with respect to a Reference Obligation.

The Issuer may be required to make payments to the Swap Counterparty in connection with the entering into of a CDS Transaction which references an index of Reference Obligations at a premium.

Upon the occurrence of a Credit Event with respect to a Reference Obligation, the Swap Counterparty may deliver such Reference Obligation to the Issuer and the Issuer will pay to the Swap Counterparty a Physical Settlement Amount (as defined herein); *provided however*, with respect to a "Failure to Pay Principal" Credit Event or a "Writedown" Credit Event only if the Swap Counterparty elects not to deliver such Reference Obligation, the Issuer will pay to the Swap Counterparty (i) the product of the amount of such principal shortfall (i.e. the Expected Principal Amount *less* the Actual Principal Amount (as defined in the related Confirmation)), the related Reference Price and the Applicable Percentage (the "**Principal Shortfall Amount**") or (ii) the product of the amount of such writedown, the related Reference Price and the Applicable Percentage (the "**Writedown Amount**"), as the case may be, resulting from such Credit Event.

The Notional Amount of the CDS Transaction will be subject to adjustment as follows: (i) it will be decreased on each day on which a Principal Payment is made by the Issuer, by the relevant Principal Payment Amount; (ii) on a day on which a which a "Failure to Pay Principal" occurs, it will be decreased by the relevant Principal Shortfall Amount; (iii) on each day on which a "Writedown" occurs, it will be decreased by the relevant Writedown Amount; (iv) on each day on which a Writedown Reimbursement occurs, it will be increased by any Writedown Reimbursement Amount in respect of a Writedown Reimbursement within paragraph (ii) of the definition of “Writedown Reimbursement”; and (v) it will be decreased on each Delivery Date by an amount equal to the relevant Exercise Amount minus the amount determined pursuant to paragraph (b) of the definition of the “Physical Settlement Amount”, provided that if any Relevant Amount is applicable, the Exercise Amount will also be deemed to be decreased by such Relevant Amount (or increased by the absolute value of such Relevant Amount

if such Relevant Amount is negative) with effect from such Delivery Date. Capitalized terms used in this paragraph will have respective meanings assigned to such terms in the relevant Confirmation.

The Swap Counterparty has no obligation to deliver the Reference Obligation in the event of a Credit Event.

In addition, the Issuer may be required to pay to the TRS Swap Counterparty any LIBOR Breakage Amounts (as defined herein) or Hedging Amounts (as defined herein) as described in "—The Total Return Swap—Replacement of Transactions Upon Occurrence of a Collateral Excess" and "—Hedging Amounts," respectively.

The Issuer will obtain the funds to make any Issuer Swap Payments by liquidating Eligible Investments in the Principal Account and Underlying Assets in the UA Collateral Sub-Account in accordance with the terms in the Indenture, in an amount equal to the amount of such Issuer Swap Payments or, to the extent such funds are not available (and, solely with respect to "Variable Cap" Fixed Rate Shortfall Amounts, the Note Collection Account) have been reduced to zero, the Issuer may fund any "Variable Cap" Fixed Rate Shortfall Amounts, Physical Settlement Amounts, Principal Shortfall Amounts, Trading Loss Payments or Writedown Amounts that are due, by drawing on the Class A-1LA Unfunded Notes, in accordance with the Indenture and the Class A-1LA Revolving Note Purchase Agreement.

If a payment is made on the Reference Obligation with respect to any Principal Shortfall Amount or Writedown Amount, the Swap Counterparty will pay to the Issuer such amount (respectively, a "**Principal Shortfall Reimbursement Payment Amount**" and a "**Writedown Reimbursement Payment Amount**"), such amount not to exceed any Principal Shortfall Amount or Writedown Amount previously paid by the Issuer relating to such Reference Obligation. The Notional Amount of the CDS Transactions will be increased by any Principal Shortfall Reimbursement Payment Amount divided by the Reference Price or Writedown Reimbursement Payment Amount divided by the Reference Price.

Credit Events

A "**Credit Event**" with respect to any Credit Default Swap and any Reference Obligation means the occurrence of any of the events specified in such Credit Default Swap as a Credit Event on or before the Scheduled Termination Date for such Credit Default Swap. The Credit Events are "Failure to Pay Principal", "Writedown", "Distressed Ratings Downgrade" and, with respect to Reference Obligations which are CDO Securities only, "Failure to Pay Interest." The Issuer may amend, or enter into additional, Credit Default Swaps that include Credit Events other than those described below, *provided* that the Rating Condition is satisfied with respect to such Credit Events and, in the Collateral Manager's judgment, such Credit Event is deemed to be standard in the market form pay-as-you-go confirmation, and further, is based on a template published by ISDA; and *provided further* that any amendments of a Credit Default Swap that could reasonably be expected to have a material adverse effect on the Class A-1LA Noteholders require prior written consent of the Majority Class A-1LA Noteholders.

The Credit Events are the occurrence of any of the following (however caused, directly or indirectly):

(i) Failure to Pay Principal

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

(ii) Writedown

"**Writedown**" means, the occurrence of (i)(a) a writedown or applied loss (however described in the Underlying Instruments) resulting in a reduction in the outstanding principal amount (other than as a result of a

scheduled or unscheduled payment of principal); or (b) the attribution of a principal deficiency or realized loss (however described in the Underlying Instruments) to the Reference Obligation resulting in a reduction or subordination of the current interest payable on the Reference Obligation; or (ii) the forgiveness of any amount of principal by the holders of the Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the outstanding principal amount; provided that this clause (ii) shall not apply to any such forgiveness occurring during the period when the protection buyer owns 100% of the outstanding principal amount of the related Reference Obligation and has consented to such forgiveness (each term in this definition as defined in the Credit Derivatives Definitions).

(iii) Distressed Ratings Downgrade:

"**Distressed Ratings Downgrade**" means, with respect to a Reference Obligation:

(i) if publicly rated by Moody's, (A) is downgraded to "Caa2" or below by Moody's or (B) has the rating assigned to it by Moody's withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a public rating of "Baa3" or higher by Moody's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "Caa1" by Moody's within three calendar months after such withdrawal; or

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

(iii) if publicly rated by Fitch, (A) is downgraded to "CCC" or below by Fitch or (B) has the rating assigned to it by Fitch withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a public rating of "BBB-" or higher by Fitch immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Fitch within three calendar months after such withdrawal.

For the avoidance of doubt, if the Reference Obligation is not publicly rated by Moody's, then the provisions of clause (i) above shall not apply, if the Reference Obligation is not publicly rated by S&P, then the provisions of clause (ii) above shall not apply and if the Reference Obligation is not publicly rated by Fitch, then the provisions of clause (iii) above shall not apply.

(iv) Failure to Pay Interest

"**Failure to Pay Interest**" means, with respect to a Reference Obligation which is a CDO Security, means the occurrence of an Interest Shortfall Amount or Interest Shortfall Amounts (calculated on a cumulative basis) in excess of the relevant Payment Requirement (as such terms are defined in the applicable Confirmation).

Early Credit Default Swap Termination

All Credit Default Swaps with respect to a Swap Counterparty are subject to early termination by the Issuer in the event of an "Event of Default" or "Termination Event" by such Swap Counterparty or any guarantor under the Credit Default Swap, including, but not limited to, (a) payment defaults by such Swap Counterparty and any guarantor lasting a period of at least three local business days, (b) the failure by such Swap Counterparty or any guarantor to comply with or perform any agreement or obligation (other than payment defaults by such Swap Counterparty or guarantor) under the Credit Default Swap if such failure is not remedied on or before the thirtieth day after notice of such failure is given, (c) a material misrepresentation by such Swap Counterparty or any

guarantor in the Credit Default Swap, (d) bankruptcy-related events applicable to such Swap Counterparty or any guarantor or (e) certain reductions to the rating of the Swap Counterparty or the failure of the Swap Counterparty to post collateral if required under the Master Agreement.

If an Event of Default occurs under Section 5(a)(i) (Failure to Pay or Deliver) of the Master Agreement, the Issuer shall terminate all Credit Default Swaps under the Master Agreement, except that with respect to any Credit Default Swap for which there has been a Writedown Amount within the twelve month period immediately prior to the occurrence of such Event of Default, the Noteholders affected thereby may elect not to terminate such Credit Default Swap as set forth in the Indenture.

All Credit Default Swaps with respect to a Swap Counterparty are subject to early termination by the Swap Counterparty in the event of an "Event of Default" or "Termination Event" by the Issuer under the Credit Default Swaps, including, but not limited to (a) a payment default by the Issuer lasting a period of at least three local business days, (b) any redemption of the Notes in whole and (c) an irrevocable direction to liquidate all of the Collateral following the occurrence of an Event of Default under the Indenture. The Swap Counterparty may also terminate its Credit Default Swaps if, as a result of any change in applicable tax law or action taken by a taxing authority or court, such Swap Counterparty will, or there is a substantial likelihood such Swap Counterparty will, be required to (i) gross-up any Fixed Rate Counterparty Payment in respect of any withholding or other tax (*provided* that such Swap Counterparty may assign the Credit Default Swaps to an affiliate) or (ii) receive a CDS Credit Protection Payment from which an amount is required to be deducted or withheld by the Issuer for or on account of any tax. If the Master Agreement and the Credit Default Swaps made thereunder are terminated and the Issuer is unable to enter into new Credit Default Swaps, the Issuer will no longer receive payments from such Swap Counterparty and will likely not have sufficient funds to make payments when due on the Notes and may not have sufficient funds to redeem the Notes in full.

If an Event of Default or a Termination Event occurs under the Master Agreement "Market Quotation" and "Second Method" will apply, as set forth in the Master Agreement, to value the Credit Default Swaps under the Master Agreement.

There can be no assurance that, upon early termination by the Issuer or the Swap Counterparty, either that the Swap Counterparty would be required to make any termination payment to the Issuer or that, if it did make such a payment, the amount of the termination payment made by the Swap Counterparty would be sufficient to pay any amounts due in respect of the Notes. If the Issuer is required to make a termination payment to the Swap Counterparty, such termination payment may be substantial and may result in losses to the Noteholders and the holders of the Preference Shares.

Short CDS Transactions

The following description of the Short CDS Transactions consists of a summary of certain provisions of the Short CDS Transactions and does not purport to be complete. Prospective investors must refer to the Short CDS Transactions for more detailed information regarding the Short CDS Transactions. Copies of the Short CDS Transactions Master Agreement and Confirmation will be available to Noteholders from the Trustee. References to "Short CDS Transactions" herein do not refer to "CDS Transaction" and references to "CDS Transaction" herein do not refer to Short CDS Transactions.

Under each Short CDS Transaction, the Issuer will purchase protection from a Swap Counterparty with respect to a Reference Obligation that is not in the Reference Pool or from a different Swap Counterparty, regardless of whether the related Reference Obligation is in the Reference Pool; *provided* that the Short CDS Transaction must be documented on a Form-Approved Credit Default Swap. Each Short CDS Transaction will be made pursuant to a Master Agreement between a Swap Counterparty and the Issuer and a separate Confirmation of transaction evidencing a Short CDS Transaction thereunder. Each Short CDS Transaction will have a specified Notional Amount which, multiplied by the related Reference Price, represents the U.S. dollar amount of the credit exposure which the Swap Counterparty is assuming thereunder with respect to a Reference Obligation. The Issuer will be required to pay to the Swap Counterparty a fixed rate amount under each Short CDS Transaction (the "**Short CDS Transaction Fixed Rate**"), which will be netted from the fixed rate amount payable by such Swap Counterparty to the Issuer under the related Hedging Short CDS Transaction., if any. The Swap Counterparty will be required to pay Short Physical Settlement Amounts to the Issuer following the occurrence of a credit event under a Short CDS

Transaction specified in the related Master Agreement and Confirmation. To the extent a Short CDS Transaction Fixed Rate is due to a Swap Counterparty that owes the Issuer a Fixed Rate Counterparty Payment, the amount of such Fixed Rate Counterparty Payment will be reduced by any Short CDS Transaction Fixed Rate. If the Short CDS Transaction Fixed Rate due to a Swap Counterparty exceeds the Fixed Rate Counterparty Payment due from such Swap Counterparty (or is due to a Swap Counterparty that does not owe the Issuer a payment), the Issuer will pay such amount from amounts on deposit in the Note Collection Account (*provided that*, any Short CDS Fixed Rate Shortfall Reimbursement Amounts may first be paid from the Short CDS Reserve Account).

The Issuer may enter into Short CDS Transactions if, at the time of addition, (x) the aggregate Adjusted Notional Amount of all Short CDS Transactions does not exceed 5% of the Aggregate Exposure Amount and (y) the Short CDS Transactions Criteria are satisfied.

The "**Short CDS Transaction Premium Test**" means a test which will be satisfied with respect to the entry into or acquisition of any Short CDS Transaction by the Issuer if, immediately after such entry or acquisition, (I) (a) the sum of the products obtained with respect to each Short CDS Transaction by *multiplying* (i) the fixed rate premium (expressed as a percentage *per annum*) payable by the Issuer to the applicable Swap Counterparty under such Short CDS Transaction *by* (ii)(A) the Adjusted Notional Amount of such Short CDS Transaction *multiplied by* (B) the average life of such Short CDS Transaction, is less than (b) the product of (i) the excess, if any, of the Weighted Average Long Spread for such measurement date over the applicable number for the Weighted Average Fixed Rate Test *multiplied by* (ii) the Net Obligation Amount *multiplied by* (iii) the Weighted Average Life of the Portfolio Collateral (other than any Short CDS Transactions) *multiplied by* (iv) (1 *minus* the S&P Scenario Default Rate applicable to the Class A-1LA Revolving Notes) and (II) (a)(i) the sum of the products obtained with respect to each Short CDS Transaction by multiplying (A) the fixed rate premium percentage *per annum* payable by the Issuer to the applicable Swap Counterparty under such Short CDS Transaction by (B) the notional amount of such Short CDS Transaction *minus* (ii) the sum of the products obtained with respect to each Hedging Short CDS Transaction by multiplying (A) the fixed rate premium percentage *per annum* payable to the Issuer under such Hedging Short CDS Transaction by (B) the notional amount of such Hedging Short CDS Transaction divided by (b) the Aggregate Exposure Amount, does not exceed 0.10%.

For purposes of calculating the Short CDS Transaction Premium Test, the "**Weighted Average Long Spread**" will be equal to (a) the amount equal to (i) the sum of the products of the Adjusted Notional Amount of each CDS Transaction and the fixed rate associated with such CDS Transaction *plus* (ii) the sum of the products of the Aggregate Principal Amount of each Non-Synthetic Portfolio Collateral and the Credit Spread associated with such Non-Synthetic Portfolio Collateral *plus* (iii) the sum of the products of the aggregate principal amount of each Delivered Obligation and the Credit Spread associated with such Delivered Obligation *minus* (iv) the sum of the products of the Adjusted Notional Amount of each Hedging CDS Transaction and the fixed rate associated with such Hedging CDS Transaction, divided by (b) the sum of (i) the Net Aggregate Adjusted Notional Amount of all CDS Transactions *plus* (ii) the Aggregate Principal Amount of all Non-Synthetic Portfolio Collateral and Delivered Obligations.

The "**Short CDS Transactions Criteria**" means, with respect to any Short CDS Transaction (i) the Reference Obligations referenced by such Short CDS Transaction are each a Specified Type of Asset-Backed Security; (ii) such Short CDS Transaction is a Form-Approved Credit Default Swap with a Qualifying Swap Counterparty; (iii) the Weighted Average Fixed Rate Test and the Short CDS Weighted Average Life Test are satisfied after entering into such Short CDS Transaction; and (iv) the Short CDS Transaction Premium Test is satisfied after entering into such Short CDS Transaction.

The Issuer may also enter into Hedging Short CDS Transactions with a Swap Counterparty up to the amount of the related Short CDS Transaction. Under each Hedging Short CDS Transaction, the Issuer will sell protection in whole or in part with respect to a Reference Obligation for which it has bought protection under the corresponding Short CDS Transaction. If the Issuer enters into a Hedging Short CDS Transaction with respect to any Short CDS Transaction, upon the occurrence of a credit event with respect to such Short CDS Transactions, such Hedging Short CDS Transaction and the related portion of the Short CDS Transaction will terminate at no cost to either party. Although each Hedging Short CDS Transaction is generally required to meet the requirements of a Short CDS Transaction described herein, references to "Short CDS Transaction" herein generally will not refer to Hedging Short CDS Transactions, unless expressly so stated.

Pursuant to the Indenture and so long as no Event of Default has occurred and is continuing, the Collateral Manager may direct the Trustee, at any time, to terminate any Short CDS Transaction by (i) negotiating such termination with the related Swap Counterparty, (ii) the transfer of such Short CDS Transaction with the consent of the related Swap Counterparty or (iii) the Issuer entering into a Hedging Short CDS Transaction with the related Swap Counterparty, *provided* that:

(1) the Issuer shall not be required to make a termination payment to the Swap Counterparty or transferee of such Swap Counterparty as a result of such termination, transfer or hedge; and

(2) without limiting the foregoing, any Short CDS Transaction, the termination, transfer or hedge of which is not permitted under the foregoing clause, may at any time be so terminated, transferred or hedged if on the Business Day on which such termination, transfer or hedge occurs the amount of any termination payments that would be payable by the Issuer to the Swap Counterparty or transferee of such Swap Counterparty with respect to such Short CDS Transaction together with any termination payments that would be payable by the Issuer with respect to any terminated CDS Transactions is less than or equal to the sum of the termination payments to be received by the Issuer from the Swap Counterparty or such transferee in connection with the CDS Transactions or Short CDS Transactions being terminated on such Business Day.

To the extent the consent of the Swap Counterparty is required to permit the Issuer to assign or terminate a Short CDS Transaction, such consent will not be unreasonably withheld and will be in good faith.

On and before the scheduled termination date of each Short CDS Transaction, the Swap Counterparty will have credit exposure to a Reference Obligation. Following the occurrence of an event specified in the relevant Short CDS Transaction confirmation as a "credit event" with respect to a Reference Obligation and the satisfaction of certain conditions, the Collateral Manager will notify the Swap Counterparty of the amount of the related Short Physical Settlement Amount (as defined herein) and the Swap Counterparty will be required to pay such Short Physical Settlement Amount to the Issuer. Short Physical Settlement Amounts paid to the Issuer will be deposited to the Principal Account.

The Total Return Swap

Merrill Lynch International ("**MLI**" or the "**TRS Swap Counterparty**") and the Issuer will enter into separate total return swap transactions pursuant to a 1992 ISDA Master Agreement (Multicurrency-Cross Border), including the schedule thereto (the "**TRS Master Agreement**"), and a separate confirmation of transaction (each, a "**TRS Confirmation**" and, together with the TRS Master Agreement, the "**Total Return Swap**") evidencing each total return swap transaction (each, a "**Transaction**") in respect of each Underlying Asset in the Principal Account, pursuant to which (i) the Issuer will pay to the TRS Swap Counterparty the TRS Underlying Transaction Interest Distribution with respect to each such Underlying Asset and (ii) the TRS Swap Counterparty will pay to the Issuer the TRS LIBOR Payment. For purposes of this "—The Total Return Swap" section, all defined terms not otherwise defined herein shall have the meanings specified in the Total Return Swap.

Investment of Amounts in the Principal Account and the UA Collateral Sub-Account

A portion of the initial proceeds of the offering of the Notes and the Preference Shares will be, and Trading Gain Payments, Writedown Reimbursement Payment Amounts, Short Physical Settlement Amounts, Principal Shortfall Reimbursement Payment Amounts and certain other payments may be, deposited into the UA Collateral Sub-Account and the Trustee on behalf of the Issuer will invest such amounts in the Underlying Assets.

Replacement of Transactions Upon Occurrence of a Collateral Shortfall

If on any date the aggregate outstanding principal amount of all Transactions other than the Floating Balance Transaction is less than the Required TRS Notional Amount (any such shortfall, a "**Collateral Shortfall**") due to a reduction in the aggregate outstanding principal amount of the Transactions (other than the Floating Balance Transaction), then the TRS Swap Counterparty may propose to the Issuer or the Issuer may propose to the TRS Swap Counterparty that the outstanding principal amount of one or more Transactions other than the Floating Balance Transaction be increased or that all or a portion of one or more outstanding Transactions be replaced by one

or more replacement Transactions (with an Underlying Asset that satisfies the Underlying Assets Criteria) such that, after giving effect to such increase or replacement, the aggregate outstanding principal amount of all Transactions other than the Floating Balance Transaction is equal to the Required TRS Notional Amount as of such date; *provided* that, if there is no agreement as to such increase or replacement within three Business Days following such date (such date, in respect of a Collateral Shortfall, a "**Replacement Date**"), the TRS Swap Counterparty shall have the right to designate an early termination date in respect of all or part of the Floating Balance Transaction (which Transaction or portion thereof shall be the sole "affected transaction" for purposes of the Total Return Swap) for an aggregate outstanding principal amount thereof equal to the lesser of such Collateral Shortfall and the outstanding principal amount of the Floating Balance Transaction. Upon such early termination date, no amount shall be due by or to either party. If on any Payment Date there would be a Collateral Shortfall due to an increase in the Required TRS Notional Amount, the TRS Swap Counterparty may propose to the Issuer or the Issuer may propose to the TRS Swap Counterparty that the outstanding principal amount of one or more Transactions other than the Floating Balance Transaction be increased or that all or a portion of one or more outstanding Transactions be replaced by one or more replacement Transactions (with an Underlying Asset that satisfies the Underlying Assets Criteria) such that, after giving effect to such increase or replacement, the aggregate outstanding principal amount of all Transactions other than the Floating Balance Transaction is equal to the Required TRS Notional Amount as of such Payment Date; *provided* that, if there is no agreement as to such increase or replacement within three Business Days following such Replacement Date, the TRS Swap Counterparty shall have the right to designate an early termination date in respect of all or part of the Floating Balance Transaction (which Transaction or portion thereof shall be the sole "affected transaction" for purposes of the Total Return Swap) for an aggregate outstanding principal amount thereof equal to the lesser of such Collateral Shortfall and the outstanding principal amount of the Floating Balance Transaction.

Replacement of Transactions Upon Occurrence of a Collateral Excess

If on any Payment Date the aggregate outstanding principal amount of all Transactions would be greater than the Required TRS Notional Amount as of such Payment Date (a "**Payment Date Collateral Excess**"), then the TRS Swap Counterparty may propose to the Issuer or the Issuer may propose to the TRS Swap Counterparty with four Business Days prior written notice that one or more outstanding Transactions be reduced or replaced (with an Underlying Asset that satisfies the Underlying Assets Criteria) on such Payment Date (such date, in respect of a Payment Date Collateral Excess, a "**Replacement Date**") such that after giving effect to such reduction or replacement, the aggregate outstanding principal amount of all Transactions would be equal to the Required TRS Notional Amount as of such Payment Date; *provided* that, if the TRS Swap Counterparty and the Issuer do not agree to such reduction or replacement on or prior to such Payment Date, the Issuer or the TRS Swap Counterparty shall have the right to designate an early termination date to occur on such Replacement Date in respect of one or more Transactions (which Transaction(s) shall be the sole "affected transaction(s)" for purposes of the Total Return Swap) with an aggregate outstanding principal amount equal to such Payment Date Collateral Excess (with such Transactions to be designated by the TRS Swap Counterparty or, if the TRS Swap Counterparty fails to make such designation, by the Issuer). If on any date the aggregate outstanding principal amount of all Transactions is greater than the Required TRS Notional Amount (an "**Intraperiod Collateral Excess**" and, together with a Payment Date Collateral Excess, a "**Collateral Excess**"), then the TRS Swap Counterparty may propose to the Issuer or the Issuer may propose to the TRS Swap Counterparty with five Business Days prior written notice (except if such Intraperiod Collateral Excess is a result of a Credit Event or a Floating Amount Event (other than an Interest Shortfall) under a CDS Transaction, in which case three Business Days prior written notice) that one or more outstanding Transactions be reduced or replaced (with an Underlying Asset that satisfies the Underlying Assets Criteria) on such date (such date, with respect to an Intraperiod Collateral Excess, a "**Replacement Date**") such that after giving effect to such reduction or replacement, the aggregate outstanding principal amount of all Transactions would be equal to the Required TRS Notional Amount as of such Replacement Date; *provided* that, if the TRS Swap Counterparty and the Issuer do not agree to such reduction or replacement by the date on which the Intraperiod Collateral Excess occurs, the Issuer or the TRS Swap Counterparty shall have the right to designate an early termination date to occur on such Replacement Date in respect of one or more Transactions (which Transaction(s) shall be the sole "affected transaction(s)" for purposes of the Total Return Swap) with an aggregate outstanding principal amount equal to such Intraperiod Collateral Excess (with such Transactions to be designated by the TRS Swap Counterparty or, if the TRS Swap Counterparty fails to make such designation, by the Issuer); *provided further* that the TRS Swap Counterparty or the Issuer shall pay the LIBOR Breakage Amount in connection with any Intraperiod Collateral Excess in

accordance with the Total Return Swap. The LIBOR Breakage Amount shall not be due if the Replacement Date occurs on a Payment Date.

"**LIBOR Breakage Amount**" means, in respect of any termination under the Total Return Swap, an amount determined by the TRS Calculation Agent equal to the product of (1) the Intraperiod Collateral Excess, (2) the excess of (a) the Floating Rate as determined on the immediately previous Reset Date over (b) interpolated USD-LIBOR-BBA from and including the related early termination date (as determined two Business Days prior to such early termination date) to but excluding the immediately following Payment Date and (3) the number of days from and including such early termination date to but excluding the immediately following Payment Date divided by 360.

Hedging Amounts

In addition to any other payment and delivery obligations of the TRS Swap Counterparty or the Issuer (as applicable) set forth in the Total Return Swap in respect of a termination, (1) if the Hedging Amount represents a loss to the TRS Swap Counterparty, the Issuer will pay to the TRS Swap Counterparty the Hedging Amount and (2) if the Hedging Amount represents a gain to the TRS Swap Counterparty, the TRS Swap Counterparty will pay to the Issuer the Hedging Amount.

"**Hedging Amount**" means, in respect of any Excess Trading Amount, an amount that the TRS Swap Counterparty reasonably determines in good faith to be its net loss or net gain incurred as a result of its loss of bargain, cost of funding or termination, liquidation or reestablishment of or entry into one or more hedging transactions or related trading positions (or any gain resulting from any of them) in connection with such Excess Trading Amount for which the TRS Swap Counterparty or the Issuer (as applicable) has not otherwise been compensated under the Total Return Swap by the delivery of the applicable principal amount of the Underlying Asset and/or the payment of all amounts payable under the Total Return Swap (including the Final Total Return Amount but excluding such Hedging Amount); *provided* that the Hedging Amount shall be determined by the TRS Swap Counterparty based upon the "Loss" and "Second Method" valuation methodology set forth in the form of 1992 ISDA Master Agreement as of the relevant CDS Elective Termination, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable date such amount is calculated.

"**Excess Trading Amount**" means on any date during any One Year Period, the greater of (i) zero and (ii) the difference between (A) the aggregate Trading Amounts during the relevant One Year Period and (B) the lesser of the First Threshold and the Second Threshold.

"**Trading Amount**" means on any date during any One Year Period, the aggregate amount of actual withdrawals from the UA Collateral Sub-Account as the result of other than Fixed Rate Shortfall Payments and Physical Settlement Amounts paid by the Issuer to the Swap Counterparty, Principal Shortfall Amounts and Writedown Amounts paid by the Issuer to the Swap Counterparty, and Aggregate CDS Principal Payments (as defined in the Total Return Swap).

"**One Year Period**" means, for the first period, from and including the Closing Date to and including the January 2008 Payment Date and, thereafter, each period from but excluding the last day of the immediately preceding One Year Period to the Payment Date in January of the next subsequent year.

"**First Threshold**" means U.S.$27,750,000.00.

"**Second Threshold**" means, on any date of determination, the greater of (i) zero and (ii) U.S.$83,250,000.00 *minus* the aggregate Trading Amounts from the Effective Date *plus* the aggregate Excess Trading Amounts from the Effective Date, in each case up to and excluding such date of determination.

Replacement of Transactions Upon Occurrence of a Ratings Event

If at any time any Underlying Asset is not rated at least "AA-" by Standard & Poor's and at least "Aa3" by Moody's or, if rated "Aa3" by Moody's, is on watch for possible downgrade (any such occurrence, a "**Ratings Event**"), then the TRS Swap Counterparty may propose to the Issuer or the Issuer may propose to the TRS Swap Counterparty one or more replacement Transactions or increases to one or more existing Transactions having (i)

Underlying Assets that satisfy the Underlying Assets Criteria and (ii) an aggregate outstanding principal amount equal to the outstanding principal amount of the Transaction being replaced (a "**Ratings Event Replacement**"). If, however, there is no agreement as to such a replacement or increase within 30 Business Days following the occurrence of such Ratings Event (such date, in respect of such Ratings Event, a "**Ratings Event Replacement Date**"), there shall be an early termination date on such thirtieth Business Day in respect of the Transaction (which Transaction shall be the sole "affected transaction" for purposes of the Total Return Swap) related to such Ratings Event.

Elective Replacement

The TRS Swap Counterparty may, subject to certain limitations set forth in the Total Return Swap, elect to replace, in whole or in part, one or more Transactions by proposing one or more replacement Transactions (or increasing the outstanding principal amount of one or more existing Transactions) having an aggregate outstanding principal amount equal to the aggregate outstanding principal amount of the Transaction(s) being replaced (any such replacement, an "**Elective Replacement**") by giving the Issuer at least two Business Days prior written notice specifying the effective date of such Elective Replacement (such date, an "**Elective Replacement Date**").

Replacement Procedures

With respect to any replacement, increase or reduction with respect to Transactions in connection with a Collateral Shortfall, a Collateral Excess, a Ratings Event or a Voting Rights Event or with respect to any Elective Replacement (each, a "**Replacement**" and the date of each such delivery or replacement, a "**Replacement Date**"), the following procedures will apply:

(i) If the Issuer so elects, the TRS Swap Counterparty (or a designee of the TRS Swap Counterparty, which may be an affiliate of the TRS Swap Counterparty) will purchase on the applicable Replacement Date all or a portion of the Underlying Asset(s) with respect to the Transaction(s) being replaced or reduced from the Issuer at par;

(ii) With respect to any Underlying Asset with respect to a Transaction being replaced or reduced that the Issuer did not elect to sell to the TRS Swap Counterparty as provided in clause (i) above, the TRS Calculation Agent shall determine the Final Price for such Underlying Asset in accordance with the procedures set forth in the definition thereof, the Issuer will deliver such Underlying Asset (or replaced or reduced portion thereof) to the Highest Bidder against payment to it from such bidder, as provided under "—Termination Date Payments and Deliveries" below, and the applicable party will pay the Final Total Return Amount with respect to such Underlying Asset (or replaced or reduced portion thereof) as specified in "—Termination Date Payments and Deliveries" below; and

(iii) With respect to any Underlying Asset, the TRS Swap Counterparty shall advance the portion of such purchase price (if any) consisting of accrued interest (to be repaid from TRS Underlying Transaction Interest Distributions).

Notwithstanding the foregoing, with respect to any Replacement other than in connection with a Collateral Excess, the TRS Swap Counterparty may, upon written notice to the Issuer, propose that the outstanding principal amount of one or more Transactions other than the Floating Balance Transaction be increased or that all or a portion of one or more outstanding Transactions be replaced by one or more replacement Transactions. If the proposed replacement Underlying Asset satisfies the UA Tax Criteria, the Issuer will accept such replacement Underlying Asset. If the Issuer rejects such replacement Underlying Asset because it fails to satisfy the UA Tax Criteria, then an early termination date with respect to the amount of such replacement Underlying Asset or with respect to all Transactions may occur in accordance with the terms of the Total Return Swap.

"**UA Tax Criteria**" means a security the acquisition (including the manner of acquisition), ownership, enforcement or disposition of which will not subject the Issuer to net income tax in any jurisdiction other than the jurisdiction of its incorporation; *provided* that a security that is underwritten, arranged or placed by the TRS Swap Counterparty (a "**TRS Swap Counterparty Placed Security**") will not be deemed to fail to satisfy the UA Tax Criteria solely because it is a TRS Swap Counterparty Placed Security; *provided further* that no Underlying Asset shall satisfy the UA Tax Criteria in the event that such Underlying Asset has a collateral manager that is the same

entity as the Collateral Manager of the Issuer.

Underlying Asset Withholding Event

If at any time the TRS Underlying Transaction Interest Distribution in respect of an Underlying Asset is less than would have been paid to a holder of such Underlying Asset had such payment not been reduced by Withheld Taxes (such event, an "**Underlying Asset Withholding Event**"), then the TRS Swap Counterparty may elect to treat such event as an Optional Termination Event. See "—Optional Termination" below.

Termination Date Payments and Deliveries

On the Termination Date with respect to a Transaction, except as provided below in connection with a Failed Delivery Event, in full satisfaction of any amounts due in respect of a termination of such Transaction (in whole or in part) each party shall pay to the other the amounts accrued and unpaid through the Termination Date (including any Final Total Return Amount); and, if on such Termination Date, the outstanding principal amount of the Transaction related to such Underlying Asset is a positive number, the Issuer shall deliver the Underlying Asset (or applicable portion thereof) as described in "Delivery of Underlying Asset" below.

Payment of Final Total Return Amount

If on a Termination Date, the outstanding principal amount of the Transaction related to the Underlying Asset is a positive number, then on such Termination Date, if the Final Total Return Amount is (i) positive, the Issuer will pay to the TRS Swap Counterparty the Final Total Return Amount, and (ii) negative, the TRS Swap Counterparty will pay to the Issuer the absolute value of such amount. Notwithstanding the foregoing, the TRS Swap Counterparty shall not be required to pay the Final Total Return Amount on any TRS Termination Date until the Issuer confirms that it will deliver or cause the delivery of the Underlying Asset (or, in connection with any partial termination in connection with a Replacement, the portion thereof that is being terminated) in accordance with the requirements of the Total Return Swap and, if a Failed Delivery Event occurs, the TRS Swap Counterparty may set off against its obligation to pay any Final Total Return Amount, any amounts it is owed in respect of any loss in connection with such event as provided in the Total Return Swap.

Delivery of Underlying Assets

If on a Termination Date the outstanding principal amount of the Underlying Asset is a positive number, the Issuer shall on such Termination Date deliver a principal amount of the Underlying Asset equal to the outstanding principal amount (or, in the case of a partial termination, the portion thereof being terminated) to the highest firm bidder for the Underlying Asset against payment to it from such bidder, in USD, of an amount equal to the product of the Final Price and the outstanding principal amount of the Underlying Asset. If on the date of the delivery of the Underlying Asset against payment of the Final Price as provided above there is any accrued interest on the Underlying Asset, the Highest Bidder need not pay any additional amount in respect of any such accrued interest and the Issuer shall be deemed to have received payment for such interest through the TRS Swap Counterparty's payment of the TRS LIBOR Payment. If the Highest Bidder pays any accrued interest, the Issuer shall pay the amount thereof to the TRS Swap Counterparty.

If the Issuer fails to deliver the Underlying Asset as described above on the Termination Date, such event shall constitute a "**Failed Delivery Event**," and the Issuer must pay to the TRS Swap Counterparty an amount equal to the TRS Swap Counterparty's loss in respect of such Failed Delivery Event, calculated in accordance with the terms of the Total Return Swap.

Optional Termination

The TRS Swap Counterparty may terminate any Transaction affected by a Voting Rights Event, an Underlying Asset Withholding Event or a Credit Enhancement Event, in each case by giving written notice to the Issuer and specifying therein the date it is designating as the Termination Date in respect of such affected

Transactions. Further, the TRS Swap Counterparty or the Issuer may terminate all of the Transactions if the aggregate outstanding principal amount of all Transactions is less than U.S.$20,000,000 by giving written notice to the other party and specifying therein the date it is designating as the Termination Date (such event, a "**Clean-up Call**", and together with a Voting Rights Event, an Underlying Asset Withholding Event and a Credit Enhancement Event, an "**Optional Termination Event**"). The relevant party declaring such event shall give notice of an Optional Termination Event to the other party at least ten Business Days prior to the applicable Termination Date; *provided* that only three Business Days notice will be required in connection with a Voting Rights Event; and *provided further* that if more than two Optional Termination Events resulting from a Voting Rights Event have occurred as a result of an error or omission of the Trustee, then the TRS Swap Counterparty shall have the right to terminate all Transactions unless the Issuer causes the Trustee to be replaced in accordance with the Indenture within 30 days following the third such Voting Rights Event.

Voting Rights

"**Voting Rights**" means, in respect of any Underlying Asset, any right of a holder of such Underlying Asset to exercise any voting rights with respect to such Underlying Asset or give any instructions or consent to any action or take any other action with respect to such Underlying Asset. *Provided* that no early termination date in respect of a Transaction has occurred, and performance would not contravene any law, rule or regulation, the Issuer shall promptly deliver (or arrange for the delivery of), to the TRS Swap Counterparty or its designee, a copy of each notice and report delivered to it by the related issuer or any other person on behalf of such issuer or otherwise in connection with such Underlying Asset in relation to the Voting Rights in respect thereof.

If the Issuer, in its capacity as a holder of the related Underlying Asset or otherwise (including, without limitation, where the Issuer has a contractual or other right to direct the exercise of the Voting Rights in respect of such Underlying Asset), receives written notice or otherwise determines that a holder of such Underlying Asset is required or has been invited to exercise any Voting Rights, the Issuer shall, as soon as practicable, notify the TRS Swap Counterparty or any designee designated by the TRS Swap Counterparty by prior written notice to the Issuer (the "**TRS Swap Counterparty's Designee**") to such effect. The Issuer shall exercise all Voting Rights in respect of the related Underlying Asset (or cause such Voting Rights to be exercised) in respect of such Underlying Asset solely in accordance with the instructions (if any) received by it from the TRS Swap Counterparty or the TRS Swap Counterparty's Designee; *provided* that such instructions are given in a timely manner. The Issuer shall notify the TRS Swap Counterparty or the TRS Swap Counterparty's Designee (such notice, a "**Voting Notice**") whether it will (a "**Positive Voting Notice**") or will not (a "**Negative Voting Notice**") exercise (or cause to be exercised) any Voting Rights in respect of the related Underlying Asset in accordance with the instructions received by it from the TRS Swap Counterparty or the TRS Swap Counterparty's Designee within three Business Days of receipt by it of such instructions (the "**Voting Notice Cut-off Date**"). The Issuer shall not be required to exercise any Voting Rights in respect of the related Underlying Asset in the absence of instructions from the TRS Swap Counterparty or the TRS Swap Counterparty's Designee, but it shall not be prevented from doing so. The Issuer shall not be required to take any action pursuant to the TRS Swap Counterparty's or the TRS Swap Counterparty's Designee's instructions that would, based on an opinion of competent counsel delivered to the TRS Swap Counterparty, constitute a breach of any law or regulation applicable to the Issuer.

If, for any reason, the Issuer (i) issues a Negative Voting Notice; (ii) fails to issue a Voting Notice by or on the Voting Notice Cut-off Date; (iii) fails to exercise, or cause to be exercised, any Voting Rights in respect to the related Underlying Asset in accordance with the instructions timely received by it from the TRS Swap Counterparty or the TRS Swap Counterparty's Designee; or (iv) fails to notify the TRS Swap Counterparty that any Voting Rights are exercisable with respect to the issuer of the related Underlying Asset of which the Issuer has received notice (any such event, a "**Voting Rights Event**"), then the TRS Swap Counterparty may, subject to the provisions contained in the Total Return Swap, without prejudice to any other rights and remedies of the TRS Swap Counterparty in connection therewith, terminate the related Transaction; *provided* that if more than two Optional Termination Events resulting from a Voting Rights Event have occurred as a result of an error or omission of the Trustee, then the TRS Swap Counterparty shall have the right to terminate all Transactions unless the Issuer causes the Trustee to be replaced in accordance with the Indenture within 30 days following the third such Voting Rights Event. If, however, performance by the Issuer would contravene any law, rule or regulation applicable to the Issuer, the TRS Swap Counterparty may not designate a Transaction with respect to the Underlying Asset subject to such Voting Rights Event or any other Underlying Asset. It may, however, elect to replace the Transaction subject to such Voting

Rights Event by proposing one or more replacement Transactions that have an aggregate outstanding principal amount equal to the outstanding principal amount of the Transaction being replaced, by giving the Issuer at least two Business Days prior written notice specifying the effective date of such replacement (such date, in respect of such replacement, a "**Replacement Date**"); *provided* that, if there is no agreement as to such replacement within two Business Days following such notice, the TRS Swap Counterparty shall have the right to designate (in its sole discretion) a replacement Transaction for which the Underlying Asset meets the Underlying Assets Criteria.

Credit Enhancement

The TRS Swap Counterparty may, at its own expense, obtain credit enhancement of any Underlying Asset ("**Credit Enhancement**") by means of a financial guarantee (or similar insurance policy) or by means of a custodial receipt representing an interest in both the Underlying Assets and a policy or other type of credit enhancement, pursuant to which the entity providing the credit enhancement will guarantee certain payments of interest and principal on the Underlying Asset if and to the extent those payments are not made by the issuer of the Underlying Asset (an "**Underlying Asset Custodial Receipt**"), such that in either case either the Underlying Asset or the Underlying Asset Custodial Receipt has a rating, or a rating equivalent, which is no lower than the rating of the Underlying Asset on the date the Credit Enhancement is obtained.

The Issuer will agree under the Total Return Swap to cooperate to the extent reasonably practicable, at the TRS Swap Counterparty's expense, with any request of the TRS Swap Counterparty in arranging for such Credit Enhancement, including if requested by the TRS Swap Counterparty, by delivering, if the Issuer is the holder of the related Underlying Asset at such time, or, if the Issuer is not the holder of such Underlying Asset at such time and it is able and legally permitted to do so, by requesting the holder of such Underlying Asset to deliver such Underlying Asset in exchange for the delivery of the Underlying Asset Custodial Receipt.

If the TRS Swap Counterparty is unable to arrange for Credit Enhancement of an Underlying Asset either because the Issuer does not cooperate to the extent reasonably practicable with the TRS Swap Counterparty or because the Issuer is unable to cause the delivery of such Underlying Asset in exchange for the delivery of an Underlying Asset Custodial Receipt (any such event, a "**Credit Enhancement Event**"), the TRS Swap Counterparty may, subject to the provisions contained in the Total Return Swap, without prejudice to any other rights and remedies of the TRS Swap Counterparty in connection therewith, designate a Termination Date with respect to the related Transaction or all of the Transactions as described in "—Termination Date Payments and Deliveries" above.

TRS Replacement Agreement

In the event that, as a result of the termination (in part or in whole) by the TRS Swap Counterparty of the Total Return Swap, all or any portion of the Underlying Assets are not subject to the Total Return Swap, either (i) the Trustee will invest the proceeds of the Underlying Assets in Eligible Investments or items of Non-Synthetic Portfolio Collateral, as directed by the Collateral Manager or (ii) the Issuer and the Trustee will, at the direction of the Collateral Manager, enter into a TRS Replacement Agreement. There can be no assurance, however, that any TRS Replacement Agreement can be arranged or that the terms thereof will be acceptable to the Collateral Manager.

Replacement TRS Swap Counterparty

In the event that the financial strength rating of the initial TRS Swap Counterparty is downgraded below certain thresholds specified in the Total Return Swap, the initial TRS Swap Counterparty is required to perform one of the following actions within specified periods: (i) post collateral in the TRS Counterparty Collateral Account in accordance with the related credit support annex, (ii) assign the Total Return Swap to a replacement counterparty having the necessary credit ratings, (iii) delivering to the Trustee an unconditional guarantee from a third party in respect of all of the obligations of the initial TRS Swap Counterparty, such guarantor having the necessary credit ratings, or (iv) taking any other action so as to satisfy the Rating Condition.

Events of Default and Termination Events

The Total Return Swap is subject to early termination by the Issuer in the event of an "event of default" or "termination event" affecting the TRS Swap Counterparty under the Total Return Swap, including, but not limited

to, (a) payment defaults by the TRS Swap Counterparty lasting a period of at least three local business days, (b) bankruptcy-related events applicable to the TRS Swap Counterparty, (c) merger by the TRS Swap Counterparty without assumption, (d) if due to the adoption of, or any change in, any applicable law, it becomes unlawful for the TRS Swap Counterparty to perform any obligation under the Total Return Swap, (e) certain tax related events, (f) a credit support default and (g) certain reductions to the rating of the TRS Swap Counterparty or the failure of the TRS Swap Counterparty to post collateral if required under the TRS Master Agreement. The Total Return Swap is subject to early termination by the TRS Swap Counterparty in the event of an "event of default" or "termination event" affecting the Issuer under the Total Return Swap, including, but not limited to (a) payment defaults by the Issuer lasting a period of at least three local business days, (b) bankruptcy-related events applicable to the Issuer, (c) merger by the Issuer without assumption, (d) if due to the adoption of, or any change in, any applicable law, its becomes unlawful for the Issuer to perform any obligation under the Total Return Swap, (e) certain tax-related events, (f) any redemption of the Notes in whole and (g) an irrevocable direction to liquidate all of the Collateral following the occurrence of an Event of Default under the Indenture. The occurrence of these events may result in the Issuer or the TRS Swap Counterparty, as applicable, designating an early termination date with respect to the Total Return Swap. Some events, such as certain bankruptcy-related events, will be an "automatic early termination event" (as defined in the TRS Master Agreement).

Modification

Pursuant to the Indenture, the Issuer will not be permitted to enter into any agreement amending or modifying the Total Return Swap without the satisfaction of the Rating Condition, and, solely with respect to any modifications that could reasonably be expected to have a material adverse effect on the interests of the Class A-1LA Noteholders, without the prior written consent of the Majority Class A-1LA Noteholders.

The Senior Prepaid Swap Agreement

On the Closing Date, the Issuer will enter into one or more derivative transactions described below ("**Senior Prepaid Swap**") with The Bank of New York as a counterparty (the "**Senior Prepaid Swap Counterparty**"), on the notional amounts described below. The Senior Prepaid Swap Agreements will be documented by one or more agreements (together, the "**Senior Prepaid Swap Agreements**"). Such derivative transactions will provide for an up-front payment to be made by the Senior Prepaid Swap Counterparty to the Issuer on the Closing Date in the amount equal to U.S.$12,500,000 on a notional amount equal to U.S.$83,600,000 (the "**Senior Prepaid Swap Notional Amount**"). Such up-front payment will be used by the Issuer for the purposes set forth in "Use of Proceeds." The up-front payment will be repaid over the term of the Senior Prepaid Swap Agreements through the payment of floating payments by the Issuer to the Senior Prepaid Swap Counterparty, as described below.

Pursuant to the Senior Prepaid Swap Agreements, (i) the Issuer will receive from the Senior Prepaid Swap Counterparty, on each Payment Date (ending on the Payment Date in January 2013), (a) a floating payment on a notional amount equal to U.S.$83,600,000 (the "**Senior Prepaid Swap Hedge Notional Amount**") at a rate equal to three-month LIBOR, and (b) if three-month LIBOR for the related calculation period is less than 1.955%, a fixed payment on the Senior Prepaid Swap Hedge Notional Amount at a rate equal to 1.955% minus three-month LIBOR and (ii) the Issuer will pay, on each Payment Date (ending on the Payment Date in January 2013), to the Senior Prepaid Swap Counterparty (a) a floating payment on the Senior Prepaid Swap Notional Amount at a rate equal to 1.955% below three-month LIBOR and (b) a fixed payment on the Senior Prepaid Swap Hedge Notional Amount at a rate equal to 4.917% (such payments by the Issuer, collectively, the "**Senior Prepaid Swap Payment**"). The Issuer will not be permitted to enter into any agreement amending or modifying, except pursuant to the express terms hereof, the Senior Prepaid Swap Agreements, without prior written consent of the Majority Class A-1LA Noteholders, if such amendment could reasonably be expected to have a material adverse effect on the interests of the Class A-1LA Noteholders.

Changes in Composition of Portfolio Collateral

Subject to certain requirements set forth in the Indenture in connection with dates occurring prior to the Effective Date, the Issuer may enter into and acquire, hedge, assign or terminate an item of Portfolio Collateral;

provided, however, that: (i)(a) the item of Portfolio Collateral (or related Obligation, as applicable) satisfies the criteria specified in "—Collateral Quality Tests" and "—Trading Restrictions" as described below, or (b) if the item of Portfolio Collateral (or related Obligation, as applicable) does not satisfy one or more of such criteria, the degree of compliance with such unsatisfied criteria would not be diminished; (ii) with respect to the proposed addition of Additional Portfolio Collateral, the Net Aggregate Adjusted Notional Amount of the Portfolio Collateral after taking into account the Adjusted Notional Amount of the Additional Portfolio Collateral will not exceed the Maximum CDS Amount (after taking into account amounts allocated for payment pursuant to clauses (i), (ii) and (iii)(b) under "Description of the Notes—Payments on the Notes; Priority of Distributions—Revolving Period" in this Offering Circular); and (iii) the item of Portfolio Collateral (or related Obligation, as applicable) satisfies the criteria specified in "—Eligibility Criteria" as described below. For purposes of compliance with the foregoing, (x) the Adjusted Notional Amount of any CDS Transaction referencing a Reference Obligation which is hedged by a Hedging CDS Transaction will be disregarded and (y) with respect to an item of Portfolio Collateral which references an index of Reference Obligations, the Reference Obligations underlying such index shall be used in any calculations performed to determine compliance with such eligibility criteria.

Notwithstanding the foregoing, if the Issuer or the Collateral Manager has previously entered into a commitment to acquire an item of Portfolio Collateral and at the time of such commitment the item of Portfolio Collateral (or related Obligation, as applicable) complied with each of the foregoing criteria as required, then the Issuer may consummate the acquisition of such item of Portfolio Collateral notwithstanding that such item of Portfolio Collateral (or related Obligation, as applicable) fails to comply with such criteria (other than criteria (v), (vi) or (vii)) on the date of settlement, provided that the agreed to settlement date shall not be more than sixty (60) days after the commitment to acquire such Reference Obligation.

Eligibility Criteria

An item of Portfolio Collateral (or related Obligation, if applicable) must be an Asset-Backed Security that satisfies the following eligibility criteria:

U.S. Dollar–denominated (i) it is U.S. Dollar-denominated, and it is not convertible into, or payable in, any other currency;

US or SPV Jurisdiction Obligor (ii) it is an obligation of an obligor incorporated or organized in the United States of America or in an SPV Jurisdiction;

Specified Type (iii) it is one of a Specified Type of Asset-Backed Security;

Rating (iv) it has an S&P Rating of at least "BB" and a Moody's Rating of at least "Ba2" and the S&P Rating of such Asset-Backed Security does not include the subscript "r", "t", "p", "pi" or "q";

No Withholding Tax (v) (a) the payments to the Issuer on such Asset-Backed Security (or, with respect to any Reference Obligation, the related Credit Default Swap) are not subject to withholding tax unless the issuer thereof or the obligor thereon is required to make additional payments sufficient to cover any withholding tax imposed at any time on payments made to the Issuer with respect thereto and (b) the gain or proceeds from the disposition of such Asset-Backed Security (or, with respect to any Reference Obligation, the related Credit Default Swap) will not be subject to U.S. Federal income tax or withholding under Section 897 or Section 1445 of the Code and Treasury Regulations promulgated thereunder;

Registered Form (vi) it was issued after July 18, 1984, and is in registered form for purposes of the Code ("**Registered**");

U.S. Trade or Business (vii) the acquisition (including the manner of acquisition), ownership, enforcement and disposition of such Asset-Backed Security (or, with respect to any Reference Obligation, the related Credit Default Swap) will not cause the Issuer to be engaged in a trade or business within the United States for U.S. Federal income tax purposes

or otherwise to be subject to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation;

Certain Investment Guidelines

(viii) it satisfies the investment guidelines described in the Indenture and the Collateral Management Agreement;

Investment Company Act

(ix) its acquisition would not cause either of the Co-Issuers to be required to register as an investment company under the Investment Company Act; and if the issuer of such Asset-Backed Security is excepted from the definition of an "investment company" solely by reason of Section 3(c)(1) of the Investment Company Act, then either (x) such Asset-Backed Security does not constitute a "voting security" for purposes of the Investment Company Act or (y) the aggregate amount of such Asset-Backed Security held by the Issuer is less than 10% of the entire issue of such Asset-Backed Security;

No Defaulted, Equity or Credit Risk Reference Obligations

(x) it is not Defaulted Portfolio Collateral, Equity Portfolio Collateral or Credit Risk Portfolio Collateral;

No Loans

(xi) it is not a loan or a participation interest in a loan;

Not Managed by the Collateral Manager

(xii) it is not managed by the Collateral Manager;

PIK Bonds

(xiii) if it is a PIK Bond, at the time of purchase by the Issuer, interest is not being deferred or capitalized;

Miscellaneous Limitations

(xiv) it is not (A) a security issued by an issuer located in a country that imposes foreign exchange controls that effectively limit the availability or use of Dollars to make when due the scheduled payments of principal of and interest on such security; (B) a security whose timely repayment is subject to substantial non-credit-related risk as determined by the Collateral Manager in accordance with the standard of care specified in the Collateral Management Agreement; (C) "margin stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System; (D) a financing by a debtor-in-possession in any insolvency proceeding; (E) a security that by the terms of its Underlying Instruments provides for mandatory conversion or exchange into equity capital at any time prior to its maturity; (F) the subject of an Offer (and it has not been called for redemption). In addition, such item of Portfolio Collateral is not (i) a Healthcare Security, Aircraft Security, Tobacco Litigation Security, Structured Settlement Security, Franchise Security, Car Rental Fleet Security, Chassis Security, Container Security, Lottery Receivable Security, Mutual Fund Security, Natural Resource Receivables Security, Project Finance Security, Recreational Vehicle Security, Restaurant and Food Services Security, Tax Lien Security, Manufactured Housing Security or Timeshare Security or (ii) a First Loss Tranche Security, Cap Corridor Security or NIM Security; and

CDO Securities Representing the First-Loss Tranche

(xv) if it is a CDO Security, such CDO Security does not represent, in whole or in part, the first-loss tranche of securities (whether in the form of preferred shares or income notes) issued by the issuer thereof as of the date such CDO Security was issued; and

No Future Advances (xiv) the Underlying Instruments related to such Asset-Backed Security do not require the holder thereof or of the item of Portfolio Collateral to make any payment or advance after its acquisition by such holder to the issuer thereof.

Collateral Quality Tests

The "**Collateral Quality Tests**" consist of the MAC Test, the Weighted Average Rating Test, the Weighted Average Life Test, the Weighted Average Fixed Rate Test, the Weighted Average Recovery Rate Test, the Weighted Average Coupon Test and the Standard & Poor's CDO Monitor Test, each as further described herein and as set forth in the Indenture.

Under the Indenture, the Collateral Manager will be permitted to select from a table (that will be included in the Indenture, the **"Collateral Quality Matrix"**), a different group of thresholds for satisfying or otherwise determining the following Collateral Quality Tests:

- the Moody's Asset Correlation Test ("**MAC Test**") and the MAC Factor included therein;
- the Weighted Average Recovery Rate Test;
- the Weighted Average Rating Test; and
- the Weighted Average Fixed Rate Test.

Therefore, notwithstanding anything to the contrary described herein, after giving effect to the proposed acquisition of any Portfolio Collateral, the minimum/maximum amounts required to satisfy each of such tests may vary from time to time. Each of the various combinations of amounts within such ranges are expected to be equivalent to a pool of Portfolio Collateral having a maximum MAC Factor of 22.50%, a maximum weighted average rating factor of 535, a minimum weighted average recovery rate prescribed by Moody's of 24.19% and a minimum Weighted Average Fixed Rate of 1.69%.

Each group of minimum/maximum amounts included in the Collateral Quality Matrix will include a combination of the minimum/maximum scores that are required to satisfy each of the foregoing Collateral Quality Tests. The Collateral Manager may elect from time to time to have different combinations apply so long as (a) immediately after giving effect to the change in combinations, each of the applicable tests will be satisfied or, if any such test is not satisfied, the degree of compliance therewith would not be diminished, according to the scores that are prescribed by the newly selected combination and (b) the S&P CDO Monitor Test would have been satisfied as of the date of the most recent purchase or sale of an item of Portfolio Collateral had such test been calculated using the Current Portfolio, the Proposed Portfolio, and the S&P Scenario Default Rate that was in effect immediately prior to such purchase or sale, but using the S&P Break-Even Default Rate applicable to the Notes that would have been applicable after giving effect to the change in combinations. In no event will the Collateral Manager be obligated to change the combinations contemplated by the Collateral Quality Matrix. Notwithstanding the foregoing, the combination of scores required to satisfy each of the Collateral Quality Tests may be changed if the Rating Condition with respect to Moody's is satisfied with respect to such change and as a result the minimum/maximum amounts may change as well. If a new Standard & Poor's CDO Monitor is required in connection with selecting a new row of the matrix, the Collateral Manager will give notice to S&P and the Trustee at least 10 Business Days prior to the selection of such new row.

MAC Test A test that is satisfied by application of the Collateral Quality Matrix described above, *provided that* the calculation of the MAC Factor must be based on a number of assets equal to 100.

Weighted Average Rating Test The "**Weighted Average Rating Test**" will be determined by application of the Collateral Quality Matrix described above.

Weighted Average Fixed Rate Test The "**Weighted Average Fixed Rate Test**" will be determined by application of the Collateral Quality Matrix described above.

S&P CDO Monitor Test

The Issuer will not be permitted to enter into a CDS Transaction or purchase any item of Non-Synthetic Portfolio Collateral unless, after giving effect to such addition, the S&P CDO Monitor Test is satisfied or, if such S&P CDO Monitor Test was not satisfied, is maintained or not diminished.

The "**S&P CDO Monitor Test**" will be satisfied if, after giving effect to such addition or sale (i) the S&P Loss Differential of the Proposed Portfolio (defined below) is positive or (ii) the S&P Loss Differential of the Proposed Portfolio is greater than the S&P Loss Differential of the Current Portfolio (defined below).

The "**S&P CDO Monitor**" is a dynamic, analytical computer model developed by S&P and used to estimate default risk of items of Portfolio Collateral and provided to the Collateral Manager, the Trustee and the Issuer (together with assumptions and instructions necessary for running such model) on or before the Closing Date, as it may be modified by S&P from time to time. The S&P CDO Monitor calculates the cumulative default rate of a pool of Portfolio Collateral consistent with a specified benchmark rating level based upon S&P's proprietary corporate debt default studies. In calculating the S&P Scenario Default Rate, the S&P CDO Monitor considers each obligor's most senior unsecured debt rating, the number of obligors in the portfolio, the obligor and industry concentration in the portfolio and the remaining weighted average maturity of the Portfolio Collateral and calculates a cumulative default rate based on the statistical probability of distributions of defaults on the Portfolio Collateral.

The "**S&P Loss Differential**" at any time, is the rate calculated by subtracting the S&P Scenario Default Rate (defined below) from the S&P Break-Even Default Rate (defined below) at such time.

The "**S&P Scenario Default Rate**" at any time, is an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a "AAA" rating by S&P with respect to the Class A-1LA Revolving Notes and the Class A-1LB Notes, a "AA" rating by S&P with respect to the Class A-2L Notes, a "A" rating by S&P with respect to the Class A-3L Notes, a "BBB+" rating by S&P with respect to the Class A-4L Notes, a "BBB" rating by S&P with respect to the Class B-1L Notes, a "BBB-" rating by S&P with respect to the Class B-2L Notes and a "BB+" rating by S&P with respect to the Class B-3L Notes, determined by application of the S&P CDO Monitor (defined above) at such time.

The "**S&P Break-Even Default Rate**" at any time, is the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined by S&P through application of the S&P CDO Monitor which, after giving effect to S&P's assumptions on recoveries and timing and to the priority of payments, will result in sufficient funds remaining for the principal repayment of the Notes in full and the timely payment, as applicable, of interest on each Class of Notes as set forth in the Indenture.

The "**Current Portfolio**" means the sum of the Aggregate Adjusted Notional Amount and Aggregate Principal Amount of the Portfolio Collateral immediately prior to the disposition of an item of Portfolio Collateral or immediately prior to the entry into or purchase of such item of Portfolio Collateral, as the case may be.

The "**Proposed Portfolio**" means the Portfolio Collateral resulting from the sale, maturity or other disposition of an item of Portfolio Collateral or a proposed purchase of an item of Portfolio Collateral, as the case may be.

Weighted Average Recovery Rate Test The "**Weighted Average Recovery Rate Test**" will be satisfied (i) with respect to Moody's, by application of the Collateral Quality Matrix described above and (ii) with respect to S&P, if the weighted average recovery rate of the Portfolio Collateral (each as determined in accordance with the procedures prescribed by S&P and more particularly described in the Indenture) is greater than or equal to the percentages set forth in the Indenture dependent on the Weighted Average Fixed Rate requirement selected by the Collateral Manager pursuant to the Collateral Quality Matrix.

Weighted Average Life Test The "**Weighted Average Life Test**" will be satisfied if the Weighted Average Life of the Portfolio Collateral is less than or equal to the amount set forth in Annex C hereto.

Weighted Average Coupon Test The "**Weighted Average Coupon Test**" will be satisfied if the Weighted Average Coupon of the Portfolio Collateral is greater than or equal to 5.50%.

Trading Restrictions

Ratings

1. After giving effect to the proposed addition of the Obligation: (a) if such Obligation has an S&P Rating of below "BBB-" or a Moody's Rating of below "Baa3", (i) the Net Obligation Amount of all such Obligations does not exceed 3% of the Aggregate Exposure Amount and (ii) such Obligation must be a Mid-Prime RMBS Security or a Sub-Prime RMBS Security; (b) all Obligations which are Trust Preferred CDO Securities must have an S&P Rating of at least "BBB+" and a Moody's Rating of at least "Baa1"; (c) all Obligations which are CDO Securities must have an S&P Rating of at least "BBB" and a Moody's Rating of at least "Baa2"; (d) all Obligations which are CMBS CDO Securities must have an S&P Rating of at least "BBB-" and a Moody's Rating of at least "Baa3"; (e) all Obligations which are CMBS Large Loan Securities must have an S&P Rating of at least "BBB" and a Moody's Rating of at least "Baa2"; (f) all Obligations which are Synthetic CDO Securities must have an S&P Rating of at least "BBB" and a Moody's Rating of at least "Baa2"; (g) all Obligations which are High-Grade ABS CDO Securities must have an S&P Rating of at least "BBB" and a Moody's Rating of at least "Baa2"; (h) all Obligations which are Miscellaneous Securities must have an S&P Rating of at least "BBB" and a Moody's Rating of at least "Baa2", except with respect to (i) ABS Credit Card Securities which may have an S&P Rating of at least "BBB-" and a Moody's Rating of at least "Baa3" and (ii) ABS Student Loan Securities without a Department of Education guarantee, which must have an S&P Rating of "AAA" and a Moody's Rating of "Aaa"; (i) if such Obligation has been downgraded (and the original rating has not been reinstated) from its original rating or is on credit watch with negative implications, the Net Obligation Amount of all such Obligations that at the time of acquisition had been downgraded or put on negative watch does not exceed 5% of the Aggregate Exposure Amount; *provided* that (i) any such Obligation may be not be downgraded by more than two rating sub-categories from its original rating and may not have been downgraded more than one time each by Moody's or S&P and (ii) any such Obligation must currently have an S&P Rating of at least "BBB" and a Moody's Rating of at least "Baa2" and, if so rated, must not be on credit watch with negative implications; (j) no more than 20% of the Aggregate Exposure Amount may include Obligations rated by S&P but not rated by Moody's; and (k) no more than 20% of the Aggregate Exposure Amount may include Obligations rated by Moody's but not rated by S&P.

Issuer Concentration

2. (i) With respect to Obligations rated at least "Baa1" by Moody's or "BBB+" by S&P, no more than 1.00% of the Aggregate Exposure Amount may represent obligations of any single obligor; *provided* that, there may be up to fifteen (15) obligors each of which has issued Obligations with an aggregate principal balance equal to no more than 1.50% of the Aggregate Exposure Amount; (ii) with respect

to Obligations rated "Baa2" by Moody's or "BBB" by S&P, no more than 1.00% of the Aggregate Exposure Amount may represent obligations of any single obligor; *provided* that, there may be up to five (5) obligors each of which has issued Obligations with an aggregate principal balance equal to no more than 1.50% of the Aggregate Exposure Amount; (iii) with respect to Obligations rated "Baa3" by Moody's or "BBB-" by S&P, no more than 1.00% of the Aggregate Exposure Amount may represent obligations of any single obligor; *provided that*, there may be up to five (5) obligors each of which has issued Obligations with an aggregate principal balance equal to no more than 1.50% of the Aggregate Exposure Amount; (iv) with respect to Obligations rated below "Baa3" by Moody's or "BBB-" by S&P but at least "Ba2" by Moody's or "BB" by S&P, no more than 0.75% of the Aggregate Exposure Amount may represent obligations of any single obligor; and (v) the number of obligors of Obligations being acquired is at least 90.

Single Servicer

3. With respect to the Servicer of such Obligation, if such Servicer (or, if an Affiliate of such Servicer is required to perform the obligations of such Servicer, such Affiliate):

(a) (1) is rated "Aaa" by Moody's or has a servicer rating of "SQ1" and (2) is rated "AAA" or has a servicer rating of at least "Above Average" by S&P, the Net Obligation Amount of all such Obligations serviced by such Servicer does not exceed 20% of the Aggregate Exposure Amount; *provided* there may be up to two (2) Servicers each of which may service up to 25% of the Aggregate Exposure Amount; or

(b) does not meet clause (a), but (1) is rated at least "Aa3" by Moody's or has a servicer rating of at least "SQ2" and (2) is rated at least "AA-" or has a servicer rating of at least "Average" by S&P, the Net Obligation Amount of all such Obligations serviced by such Servicer does not exceed 15% of the Aggregate Exposure Amount; or

(c) does not meet clause (a) or (b), but (1) is rated at least "A3" by Moody's or has a servicer rating of at least "SQ3" and (2) is rated at least "A-" or has a servicer rating of at least "Below Average" by S&P, the Net Obligation Amount of all such Obligations serviced by such Servicer does not exceed 10% of the Aggregate Exposure Amount; or

(d) does not meet the rating or servicer ratings in (a), (b) or (c) above, the Net Obligation Amount of all such Obligations serviced by such Servicer does not exceed 7.5% of the Aggregate Exposure Amount; *provided* that, if such Servicer does not have a rating or servicer rating by S&P, the Net Obligation Amount of all such Obligations serviced by such Servicer does not exceed 7.5% of the Aggregate Exposure Amount and if such Servicer does not have a rating or servicer rating by Moody's, the Net Obligation Amount of all such Obligations serviced by such Servicer does not exceed 7.5% of the Aggregate Exposure Amount.

Corporate Guarantees

4. No such Obligation (other than a Monoline Guaranteed Security) may be guaranteed as to ultimate or timely payment of principal or interest.

CDO Securities

5. If such Obligation is a CDO Security, (i) the Net Obligation Amount of all such Obligations does not exceed 8% of the Aggregate Exposure Amount.

CMBS CDO Securities

6. If such Obligation is a CMBS CDO Security, the Net Obligation Amount of all such Obligations does not exceed 5% of the Aggregate Exposure Amount.

CLO Securities	7. If such Obligation is a CLO Security, the Net Obligation Amount of all such Obligations does not exceed 5% of the Aggregate Exposure Amount.
ABS CDO Securities	8. If such Obligation is an ABS CDO Security, the Net Obligation Amount of all such Obligations does not exceed 8% of the Aggregate Exposure Amount.
Synthetic CDO Securities	9. If the Obligation is a Synthetic CDO Security of which not greater than 50% of the aggregate principal balance (or notional balance) of its pool of Reference Obligations consists of REIT Debt Securities, CMBS Securities, Prime RMBS Securities, Mid-Prime RMBS Securities, Sub-Prime RMBS Securities and CDO Securities or any combination of the foregoing, then the Net Obligation Amount of all such Obligations does not exceed 3% of the Aggregate Exposure Amount.
Agency MBS Securities	10. If such Obligation is an Agency MBS Security, the Net Obligation Amount of all such Obligations does not exceed 20% of the Aggregate Exposure Amount.
Trust Preferred CDO Securities	11. If such Obligation is a Trust Preferred CDO Security, the Net Obligation Amount of all such Obligations does not exceed 5% of the Aggregate Exposure Amount.
Index Securities	12. With respect to any item of Portfolio Collateral that is a Credit Default Swap that refers to an index of Reference Obligations, (i) (a) the Net Obligation Amount of all such Credit Default Swaps does not exceed more than 5% of the Aggregate Exposure Amount and (b) with respect to references of any one vintage included in an index, the Net Obligation Amount of the Credit Default Swaps that reference such vintage does not exceed 2% of the Aggregate Exposure Amount, (ii) if such Credit Default Swap is a CDS Transaction, such CDS Transaction must (a) satisfy the Rating Condition with respect to S&P and have an S&P Rating and recovery rate from S&P and (b) have a Moody's Rating and a recovery rate from Moody's and (iii) at the time of acquisition, the Collateral Manager must certify that each Reference Obligation included in such index has explicit writedown provisions.
CMBS Securities	13. If such Obligation is a CMBS Security, the Net Obligation Amount of all such Obligations does not exceed 10% of the Aggregate Exposure Amount, *provided* that no Obligation may be CMBS Credit Tenant Lease Security or single property CMBS Security.
CMBS Large Loan Securities	14. If such Obligation is a CMBS Large Loan Security, the Net Obligation Amount of all such Obligations does not exceed 5% of the Aggregate Exposure Amount; *provided* that no more than 3% of such Obligations may be rated "Baa2" or below by Moody's or "BBB" or below by S&P.
Miscellaneous Securities	15. If such Obligation is a Miscellaneous Security, the Net Obligation Amount of all such Obligations of a type of Miscellaneous Security does not exceed 5% in any category (or, with respect to an ABS Student Loan Security without a Department of Education guarantee only, 3%) of the Aggregate Exposure Amount.
Manager Concentration	16. If such Obligation is a CDO Security, the Net Obligation Amount of all Obligations managed by a single collateral manager does not exceed 2.5% of the Aggregate Exposure Amount.
Monoline Guaranteed Securities	17. If such Obligation is a Monoline Guaranteed Security, the Net Obligation Amount of all such Obligations does not exceed 5% of the Aggregate Exposure Amount.

RMBS and CMBS Securities	18. (i) If such Obligation is a Prime RMBS Security, Mid-Prime RMBS Security, Sub-Prime RMBS Security or CMBS Security, the Net Obligation Amount of all such Obligations (in the aggregate) may equal up to 100% of the Aggregate Exposure Amount and (ii) for items of Portfolio Collateral other than Prime RMBS Security, Mid-Prime RMBS Security, Sub-Prime RMBS Security or CMBS Securities, the Net Obligation Amount of all such Obligations (in the aggregate) does not exceed 30% of the Aggregate Exposure Amount.
Prime RMBS Securities	19. If such Obligation is a Prime RMBS Security, the Net Obligation Amount of all such Obligations does not exceed 20% of the Aggregate Exposure Amount.
Mid-Prime RMBS Securities	20. If such Obligation is a Mid-Prime RMBS Security, the Net Obligation Amount of all such Obligations does not exceed 80% of the Aggregate Exposure Amount.
Sub-Prime RMBS Securities	21. If such Obligation is a Sub-Prime RMBS Security, (i) the Net Obligation Amount of all such Obligations does not exceed 60% of the Aggregate Exposure Amount and (ii) the Net Obligation Amount of all such Obligations having a weighted average FICO Score below 600 at the time of the issuance of the Obligation (such information to be provided to the Trustee by the Collateral Manager) with respect to the underlying mortgage loans does not exceed 5% of the Aggregate Exposure Amount.
High-Grade ABS CDO Securities	22. If such Obligation is a High-Grade ABS CDO Security, the Net Obligation Amount of all such Obligations does not exceed 5% of the Aggregate Exposure Amount.
PIK Bonds	23. If such Obligation is a PIK Bond, the Net Obligation Amount of all such Obligations does not exceed 8% of the Aggregate Exposure Amount.
Fixed Rate Portfolio Collateral	24. If such Obligation is a Fixed Rate Portfolio Collateral, the Net Obligation Amount of all such Obligations does not exceed 3% of the Aggregate Exposure Amount.
Interest Paid Less Frequently than Quarterly	25. No Obligation may provide for periodic payments of interest less frequently than semiannually and if such Obligation provides for periodic payments of interest in cash less frequently than quarterly, the Net Obligation Amount of all such Obligations does not exceed 3% of the Aggregate Exposure Amount.
Step-Up/Down Bond	26. If such Obligation is a Step-Up/Down Bond, the Net Obligation Amount of all such Obligations does not exceed 5% of the Aggregate Exposure Amount.
Average Life	27. No Obligation that is an ABS CDO Security or CLO Security may have an average life in excess of nine (9) years.
Non-Synthetic Portfolio Collateral	28. If such Obligation is an item of Non-Synthetic Portfolio Collateral, the Net Obligation Amount of all such Obligations does not exceed 15% of the Aggregate Exposure Amount.
Interest-Only Securities	29. If such Obligation is an interest-only security, the Net Obligation Amount of all such Obligations does not exceed 2% of the Aggregate Exposure Amount.
Second Lien Securities	30. If such Obligation is a second or more junior lien loan security, the Net Obligation Amount of all such Obligations does not exceed 6% of the Aggregate Exposure Amount; *provided* that no more than 5% of such Obligations may be rated "Baa3" or below by Moody's or "BBB-" or below by S&P.
Short CDS Transactions	31. If such item of Portfolio Collateral is a Short CDS Transaction, (i) the Net Obligation Amount of all such Obligations does not exceed 5% of the Aggregate Exposure Amount and (ii) the Scheduled Termination Date of such Short CDS Transaction occurs no later than the Payment Date in April 2047.

Maturity	32. No Obligation shall mature after April 13, 2047; *provided* that Obligations representing up to 10% of the Aggregate Exposure Amount may mature after April 13, 2047 but before April 13, 2052, so long as the Collateral Manager reasonably believes that each such Obligation is expected to be retired on or prior to April 13, 2047.
Negative Amortization Securities	33. If such item of Portfolio Collateral is a Negative Amortization Security, the Net Obligation Amount of all such Obligations does not exceed 2.5% of the Aggregate Exposure Amount.

Disposition of Portfolio Collateral

Provided that no Event of Default has occurred and is continuing and subject to the terms of the Collateral Management Agreement and the Indenture, the Collateral Manager may at any time direct the Trustee, by Collateral Manager Order, to (a) dispose of one or more items of Non-Synthetic Portfolio Collateral (for the avoidance of doubt, excluding Underlying Assets) or (b) assign, subject to the written consent of the Swap Counterparty (which shall not be unreasonably withheld if the transferee is a Qualifying CDS Transferee), to any Swap Counterparty to whom the Issuer so assigns, hedge or terminate in the manner directed by the Collateral Manager, any CDS Transaction that, in each case, relates to an item of Portfolio Collateral that is an item of (i) Defaulted Portfolio Collateral, (ii) Equity Portfolio Collateral, (iii) Credit Risk Portfolio Collateral or (iv) Appreciated Portfolio Collateral (as described in such direction), so long as, with respect to an item of Appreciated Portfolio Collateral, the Collateral Manager certifies to the Trustee, as applicable, that:

(i) in the case of an Appreciated Portfolio Collateral, in the sole judgment of the Collateral Manager, the Collateral Manager reasonably believes that the Issuer will be able, no later than the end of the immediately succeeding Due Period, to acquire an item of Portfolio Collateral having an Adjusted Notional Amount or Aggregate Principal Amount equal to or greater than the Adjusted Notional Amount or Aggregate Principal Amount of such Appreciated Portfolio Collateral; and

(ii) in the case of an Appreciated Portfolio Collateral, after giving effect to such sale, assignment, hedging or termination and the acquisition of the item of Portfolio Collateral described in (i) above, the Collateral Manager reasonably believes that either the Collateral Quality Tests and the criteria described in "—Eligibility Criteria" and "—Trading Restrictions" are satisfied or if one or more of such Collateral Quality Tests or criteria is not satisfied, the degree of compliance with such unsatisfied test or criteria would not be diminished;

provided, that no CDS Transaction may be entered into and no Non-Synthetic Portfolio Collateral may be purchased after the end of the Revolving Period. No certification as to the acquisition of Portfolio Collateral contemplated by the foregoing shall be required during the Amortization Period.

Further, so long as no Trading Restriction Condition has occurred and is continuing (unless the Holders of at least 60% in the Aggregate Principal Amount of the Notes elect to waive such Trading Restriction Condition), the Collateral Manager may direct the disposition of one or more items of Portfolio Collateral which is not Credit Risk Portfolio Collateral, Appreciated Portfolio Collateral, Defaulted Portfolio Collateral or Equity Portfolio Collateral, so long as the (i) Adjusted Notional Amount of the Credit Default Swaps hedged, assigned or terminated, together with the Aggregate Principal Amount of items of Non-Synthetic Portfolio Collateral sold during any twelve-month period, does not exceed (A) 20% of the Net Obligation Amount included in the Trust Estate on the first day of such period (or 20% of the Required Portfolio Collateral Amount with respect to any period commencing prior to the Effective Date) and (ii) the Collateral Manager reasonably believes that, after giving effect to such disposition and subsequent addition that, either (I) the Collateral Quality Tests and the criteria set forth in the Indenture would be satisfied or (II) if one or more of such Collateral Quality Tests or criteria is not satisfied, the degree of compliance with such unsatisfied test or criteria would not be diminished.

In determining whether any item of Portfolio Collateral is likely to decline in credit quality and, with the passage of time become Defaulted Portfolio Collateral, the Collateral Manager may, in its sole judgment, consider any relevant factor, including (without limitation) whether any of the Credit Risk Criteria exist. Notwithstanding the foregoing, the existence or absence of any of such factors shall not require or prevent the Collateral Manager's determination that any Portfolio Collateral is likely to decline in credit quality and, with the passage of time, become Defaulted Portfolio Collateral.

In determining whether any item of Portfolio Collateral meets the definition of Appreciated Portfolio Collateral, the Collateral Manager may, in its sole judgment, consider any relevant factor, including (without limitation) whether any of the Appreciated Criteria exist. Notwithstanding the foregoing, the existence or absence of any of such factors shall not require or prevent the Collateral Manager's determination that any Portfolio Collateral has a market price that is greater than the price that is warranted by its terms and credit characteristics.

Upon termination of a CDS Transaction that is hedged by a Hedging CDS Transaction, the Issuer shall terminate the related Hedging CDS Transaction.

With respect to an assignment of any CDS Transaction by the Issuer, the Swap Counterparty shall not unreasonably withhold its consent if the transferee (i) is an active dealer in the market for transactions of a similar nature as the CDS Transaction being transferred, (ii) has a long-term credit rating greater than or equal to the lesser of (a) "A-" by S&P and "A3" by Moody's and (b) the long-term credit rating of the Swap Counterparty by S&P and Moody's immediately prior to such transfer and (iii) has executed a Credit Support Annex (or has other credit terms existing) with the Swap Counterparty and such transferred CDS Transaction will be subject to such Credit Support Annex or other credit terms.

During any period after the first Due Period with respect to the disposition of an item of Portfolio Collateral, as applicable, if the rating of the Class A-1LA Revolving Note, the Class A-1LB Notes or the Class A-2L Notes has been downgraded at least one rating sub-category by Moody's (and has not been restored) or the rating of the Class A-3L Notes, the Class A-4L Notes, the Class B-1L Notes, the Class B-2L Notes or the Class B-3L Notes has been downgraded by at least two rating sub-categories by Moody's (and has not been restored to a rating no more than one rating sub-category below the original rating of such Class of Notes) (a "**Trading Restriction Condition**"), the Issuer is required to send a notice to the Trustee and the Holders of the Notes to the effect that for so long as the applicable Trading Restriction Condition exists, unless the Holders of at least 60% in the Aggregate Principal Amount of the Outstanding Notes elect to retain the guidelines (described in the first paragraph of this section, above) for the disposition of an item of Credit Risk Portfolio Collateral or Appreciated Portfolio Collateral, as applicable, no item of Credit Risk Portfolio Collateral may be disposed of unless (A) the rating of the obligor or of any debt or securities issued by the obligor under such item of Credit Risk Portfolio Collateral has been lowered, withdrawn or put on any "credit watch" list (or similar list) with negative implications by S&P, Moody's or Fitch or (B) such item of Credit Risk Portfolio Collateral satisfies the Credit Risk Criteria.

So long as no event of default has occurred and is continuing under the Total Return Swap, the Collateral Manager on behalf of the Issuer may direct the Trustee to dispose of an Underlying Asset which ceases to be a Reference Security (as defined in the Total Return Swap) under the Total Return Swap and replace it with an Underlying Asset which is a Reference Security under the Total Return Swap as provided in the Total Return Swap. Any Underlying Assets acquired by the Issuer will be required to meet the Underlying Assets Criteria (and the UA Tax Criteria, as defined in the Total Return Swap).

No reinvestment will be permitted after the Revolving Period or during the continuance of an Event of Default.

The Collateral Manager will select the Portfolio Collateral to be acquired on the Closing Date and will be responsible for monitoring the Portfolio Collateral that at any time is included in the Trust Estate, selecting Additional Portfolio Collateral and effecting additions, acquisitions, substitutions, assignments, terminations and sales of Portfolio Collateral.

Accounts

The Note Collection Accounts

All Collateral Interest Collections will be remitted to a single, segregated account established and maintained under the Indenture (the "**Collection Account**") and will be available, to the extent described herein, for application in the manner and for the purposes described herein (*provided*, *however*, that with respect of any item of Portfolio Collateral that is an Interest-Only Security, any Collateral Interest Collections received in respect of such

item of Portfolio Collateral will be credited to the Collection Account only if such item of Portfolio Collateral was purchased with Collateral Interest Collections, and will be credited to the Principal Account if such item of Portfolio Collateral was purchased with principal collections or disposition proceeds). Funds held in the Collection Account will be invested by the Trustee, as directed by the Collateral Manager, as soon as practicable in Eligible Investments. All Eligible Investments in the Collection Account must mature on or before the Business Day prior to the next Payment Date. The Trustee may establish any number of sub-accounts to the Collection Account for its convenience in administering the accounts and the Trust Estate. On the Closing Date, a portion of the net proceeds of the offering of the Notes issued on such date will be remitted to a single, segregated account established and maintained under the Indenture (the "**Principal Account**" and, together with the Collection Account, the "**Note Collection Accounts**") and invested in Eligible Investments and Underlying Assets. On the Closing Date, the Trustee also will establish a sub-account of the Principal Account (the "**UA Collateral Sub-Account**"). For purposes, unless otherwise specified or the context otherwise requires, references to the Principal Account will include the UA Collateral Sub-Account.

On the Closing Date, the Trustee will deposit into the UA Collateral Sub-Account U.S.$277,500,000 from the proceeds of the offering of the Notes and the Preference Shares. The Trustee also may deposit into the UA Collateral Sub-Account, at any time, among other things, any Trading Gain Payments, any Writedown Reimbursement Payment Amounts, any Principal Shortfall Reimbursement Payment Amounts, any Short Physical Settlement Amounts, amounts received by the Issuer in connection with the entering into of a CDS Transaction which references an index of Reference Obligations and any principal collections or disposition proceeds received with respect to items of Non-Synthetic Portfolio Collateral or Underlying Assets, as determined by the Collateral Manager. Amounts on deposit in the UA Collateral Sub-Account in excess of the Maximum TRS Notional Amount will not be invested in Underlying Assets and shall not be part of the notional amount of the Total Return Swap and, therefore, will not be part of the TRS LIBOR Payment. Amounts on deposit in the UA Collateral Sub-Account will be invested at the direction of the TRS Swap Counterparty in accordance with the Total Return Swap. Income received on amounts remitted to the UA Collateral Sub-Account (including, without limitation, TRS Underlying Transaction Interest Distributions) will be withdrawn and paid to the TRS Swap Counterparty in accordance with the terms of the Total Return Swap; *provided* that no such withdrawals will be made if an "Event of Default" under the Total Return Swap with respect to the TRS Swap Counterparty has occurred and is continuing. Funds and other property credited to the UA Collateral Sub-Account shall not be considered to be an asset of the Issuer for purposes of any Collateral Quality Test. No amounts shall be withdrawn from the UA Collateral Sub-Account for any purpose without a written notice from the Collateral Manager to the Trustee and the TRS Swap Counterparty stating the date that any amount shall be withdrawn (the "**Withdrawal Effective Date**"), which notice from the Collateral Manager shall be delivered to the Trustee and the TRS Swap Counterparty no later than (1) if such Withdrawal Effective Date would be a Payment Date, four Business Days prior to such Withdrawal Effective Date and (2) if such Withdrawal Effective Date would be any other date, five Business Days prior to such Withdrawal Effective Date; unless such notice specifies that such withdrawal is for Physical Settlement Amounts, Principal Shortfall Amounts or Writedown Amounts, three Business Days prior to such Withdrawal Effective Date.

Among other things, the Trustee will deposit into the Principal Account, to the extent such amounts have not been remitted to the UA Collateral Sub-Account, as described in the immediately preceding paragraph, any Trading Gain Payments, any Writedown Reimbursement Payment Amounts, any Principal Shortfall Reimbursement Payment Amounts, any principal collections or disposition proceeds from items of Non-Synthetic Portfolio Collateral, Underlying Assets or Delivered Obligations (other than accrued interest) any amounts received by the Issuer in connection with the entering into of a CDS Transaction which references an index of Reference Obligations and any Collateral Interest Collections received in respect of an item of Portfolio Collateral that is an Interest-Only Security if such item of Portfolio Collateral was purchased with principal collections or disposition proceeds. Amounts remitted to the Principal Account will be invested in Eligible Investments selected by the Collateral Manager in its sole discretion. Amounts remitted to the Principal Account will be available to pay any amounts due under the Credit Default Swaps and the Total Return Swap as set forth in the Indenture when due, to the extent of amounts available in the Principal Account. In addition, the Issuer will liquidate Eligible Investments in the Principal Account and Underlying Assets in the UA Collateral Sub-Account, and such funds will be available to pay any Issuer Swap Payments. Any amounts required to be paid by the Issuer in connection with the entering into of a CDS Transaction which references an index of Reference Obligations will be withdrawn by the Trustee from the Principal Account at the direction of the Collateral Manager. All interest earnings in the Principal Account (excluding the UA Collateral Sub-Account) paid to the Issuer will be remitted to the Collection Account.

Initial Deposit Account

All cash pledged to the Trustee on the Closing Date which is to be invested in additional Non-Synthetic Portfolio Collateral on or before the Effective Date will be deposited into the Initial Deposit Account. Funds held in the Initial Deposit Account pending investment in additional Non-Synthetic Portfolio Collateral or additional Underlying Assets in connection with the Issuer entering into additional Credit Default Swaps, will be invested by the Trustee, as directed by the Collateral Manager, in Eligible Investments. Eligible Investments in the Initial Deposit Account are to mature on or before the date on which such funds are to be invested in additional Non-Synthetic Portfolio Collateral; *provided* that, to the extent the Deposit in the Initial Deposit Account is not so invested on or before the Effective Date, such uninvested amount will be deposited into the Principal Account for application by the Collateral Manager as provided for herein.

The Custodial Account

The Trustee will establish and maintain under the Indenture a segregated collateral account (the **"Custodial Account"**) into which all items of Non-Synthetic Portfolio Collateral will be deposited. Each item of Non-Synthetic Portfolio Collateral will be held in the Custodial Account until such item of Non-Synthetic Portfolio Collateral is sold by the Issuer pursuant to the terms of the Indenture. The proceeds relating to any Non-Synthetic Portfolio Collateral (other than accrued interest) will be deposited into the Principal Account.

The Delivered Obligation Account

On the first date that a Delivered Obligation is received by the Issuer, the Trustee will establish and maintain under the Indenture a segregated collateral account (the **"Delivered Obligation Account"**) into which all Delivered Obligations will be deposited. Each Delivered Obligation will be held in the Delivered Obligation Account until such Delivered Obligation is sold by the Issuer pursuant to the terms of the Indenture. The proceeds relating to any Delivered Obligations (other than accrued interest) will be deposited into the Principal Account.

The Expense Reimbursement Account

An Expense Reimbursement Account of U.S.$100,000 will be established by the Issuer and pledged to the Trustee for the payment of Issuer administrative expenses which become due and must be paid between Payment Dates. Any amounts withdrawn from the Expense Reimbursement Account will be reimbursed on each Payment Date in accordance with the priority of the distribution provisions described herein. Funds held in the Expense Reimbursement Account will be invested by the Trustee, as directed by the Collateral Manager, in Eligible Investments. Eligible Investments in the Expense Reimbursement Account are to mature on or before the date on which such funds are to be used by the Issuer for the payment of expenses.

The Closing Expense Account

A Closing Expense Account will be established by the Trustee. A portion of the Closing Expense Account will be funded on the Closing Date with the up-front payment received by the Issuer from the Senior Prepaid Swap Counterparty. From the Closing Date to the Payment Date occurring in April 2007, funds deposited in the Closing Expense Account will be used to pay the fees, commissions and expenses associated with the issuance of the Notes. Funds held in the Closing Expense Account will be invested by the Trustee, as directed by the Collateral Manager, in Eligible Investments. On or before the April 2007 Payment Date, after payment of all fees, commissions and expenses associated with the issuance of the Notes, any remaining portion of the Closing Expense Deposit shall be transferred (i) upon receipt by the Trustee of a Collateral Manager Order to the Collection Account to be applied as Collateral Interest Collections or (ii) if no such Collateral Manager Order has been received on the Business Day prior to the second Payment Date, to the Collection Account to be applied as Collateral Interest Collections.

The Payment Account

A Payment Account will be established by the Trustee. The Trustee will remit the amount available for payment to the Holders of the Notes as further described in the Indenture to the Payment Account.

The Hedging CDS Reserve Account

A Hedging CDS Reserve Account will be established by the Trustee. The Trustee shall remit the amount of Adjusted Collateral Interest Collections available as described in clause (iv) in "Description of the Notes—Distributions from the Payment Account—Revolving Period and Amortization Period," *plus* certain other amounts to pay for fixed rate amounts owed by the Issuer under the Hedging CDS Transactions, if any, between Payment Dates, as further described in the Indenture to the Hedging CDS Reserve Account. Funds held in the Hedging CDS Reserve Account will be invested by the Trustee, as directed by the Collateral Manager, in Eligible Investments. Eligible Investments in the Hedging CDS Reserve Account are to mature on or before the day such payments are due. Amounts on deposit on the Hedging CDS Reserve Account will be available to pay any Hedging CDS Transaction Fixed Rate or any Short CDS Transaction Fixed Rate.

Short CDS Reserve Account

A Short CDS Reserve Account will be established by the Trustee. The Trustee shall remit to the Short CDS Reserve Account the amount of Adjusted Collateral Interest Collections available as described in clause (iv) in "Description of the Notes—Distributions from the Payment Account—Revolving Period and Amortization Period," to be deposited in such account. Funds held in the Short CDS Reserve Account shall be invested by the Trustee, as directed by the Collateral Manager, in Eligible Investments. Amounts credited to the Short CDS Reserve Account shall be available to pay any Short CDS Fixed Rate Shortfall Reimbursement Amounts. Upon the termination or assignment of a Short CDS Transaction, the Trustee shall withdraw from the Short CDS Reserve Account, for credit to the Collection Account, an amount equal to any related Fixed Rate Shortfall Amounts included in the Short CDS Aggregate Fixed Rate Shortfall Amount on any prior Payment Date and not previously reimbursed.

The Swap Posting Account

A Swap Posting Account ("**Swap Posting Account**") will be established by the Trustee and maintained under the Indenture as a segregated trust account. To the extent a Swap Counterparty is required to make payments in advance or post collateral under the Credit Default Swaps in advance, such payments are required to be deposited in the Swap Posting Account pending application as described herein.

The TRS Counterparty Collateral Account

A TRS Counterparty Collateral Account will be established by the Trustee and maintained under the Indenture as a segregated trust account. The Trustee shall remit to the TRS Counterparty Collateral Account the amount or the securities received from the TRS Swap Counterparty that the TRS Swap Counterparty is required to pay or post pursuant to the terms of the related Total Return Swap and all amounts required to be credited thereto pursuant to the Indenture. Amounts on deposit in the TRS Counterparty Collateral Account will be invested by the Trustee in Eligible Investments in accordance with the Total Return Swap. Income received on amounts remitted to the TRS Counterparty Collateral Account will be withdrawn and paid to the TRS Swap Counterparty in accordance with the terms of the Total Return Swap; *provided* that no such withdrawals will be made if an "Event of Default" under the Total Return Swap with respect to the TRS Swap Counterparty has occurred and is continuing. Funds and other property credited to the TRS Counterparty Collateral Account will not be considered to be an asset of the Issuer for purposes of any Collateral Quality Test. In accordance with the terms of the Total Return Swap, funds and other property credited to the TRS Counterparty Collateral Account will be withdrawn by the Trustee and applied to the payment of any amount owing by the TRS Swap Counterparty to the Issuer under the Total Return Swap. After payment of all amounts owed by the TRS Swap Counterparty to the Issuer in accordance with the terms of the Total Return Swap, all funds and other property credited to the TRS Counterparty Collateral Account will be withdrawn from the TRS Counterparty Collateral Account and paid or transferred to the TRS Swap Counterparty in accordance with the terms of the Total Return Swap. If the TRS Swap Counterparty shall default in the performance of any of its payment or delivery obligations under the Total Return Swap, the Issuer (or the Collateral Manager on behalf of the Issuer) will promptly notify the TRS Swap Counterparty (and any guarantor thereof) and will promptly demand that such guarantor perform each such payment or delivery obligation pursuant to the guaranty relating to the Total Return Swap.

Class A-1LA Downgraded Holder Reserve Account

On or prior to the Closing Date, the Issuer will cause the Paying and Transfer Agent to establish a segregated non-interest bearing trust account in the name of the Issuer designated as the "Class A-1LA Downgraded Holder Reserve Account." The Trustee shall credit to the Class A-1LA Downgraded Holder Reserve Account the amount received from any Class A-1LA Noteholder that such Class A-1LA Noteholder elects to pay pursuant to the terms of the Class A-1LA Note Purchase Agreement as a result of such Class A-1LA Noteholder's failure to satisfy the Class A-1LA Rating Requirement. Upon any subsequent Class A-1LA Note Funding Request, the Trustee shall withdraw from the Class A-1LA Downgraded Holder Reserve Account, for credit to the Principal Account, an amount equal to such Class A-1LA Noteholder's Pro Rata Share of the requested Class A-1LA Note Funding, which amount will constitute a Class A-1LA Note Funding made by the related Class A-1LA Noteholder for all purposes upon such transfer to the Principal Account. Upon any permanent reduction in the Class A-1LA Unfunded Commitment, the Trustee will be required to withdraw from the Class A-1LA Downgraded Holder Reserve Account, for transfer to the related Class A-1LA Noteholder, an amount equal to such Class A-1LA Noteholder's Pro Rata Share of such permanent reduction.

Note Valuation Report; Noteholders' Reports

Promptly after receipt by the Trustee thereof, but in any event not later than each Payment Date, the Trustee will deliver (or otherwise make available) to each Noteholder, the Collateral Manager and each Rating Agency a Noteholder report setting forth certain information regarding payments due to the Noteholders on such Payment Date. In addition, other than in months in which a Payment Date occurs, commencing in May 2007, the Issuer will provide, or procure the provision, to each Rating Agency and the Trustee, who will forward a copy (or otherwise make available) to each Noteholder, a monthly report containing additional information with respect to the Trust Estate. Except as provided herein, the Indenture provides that the information contained in these reports is confidential and may not be disclosed, except as provided therein.

Pursuant to the Indenture, the Issuer will consent to the posting of each such report, together with this Offering Circular, the Indenture and any amendments or modifications thereto, to the internet based password protected electronic repository of transaction documents relating to privately offered and sold collateralized debt obligation securities located at "www.cdolibrary.com."

THE SWAP COUNTERPARTY

The information appearing in this Section has been prepared by The Royal Bank of Scotland plc and has not been independently verified by the Issuer, the Co-Issuer or the Collateral Manager. Accordingly, notwithstanding anything to the contrary herein, the Issuer, the Co-Issuer and the Collateral Manager do not assume any responsibility for the accuracy, completeness or applicability of such information.

Description of RBS Group

The Royal Bank of Scotland Group plc (the "**Group**") is the holding company of one of the world's largest banking and financial services groups, with a market capitalisation of £56.8 billion at 30 June 2006. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc ("**RBS**") and National Westminster Bank Plc ("**NatWest**"). Both RBS and NatWest are major UK clearing banks whose origins go back over 275 years. The Group has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

The Group's operations are conducted principally through RBS and its subsidiaries (including NatWest) other than the general insurance business (primarily Direct Line Group and Churchill Insurance).

The Group's activities are organized in the following business divisions: Corporate Markets (comprising Global Banking & Markets and UK Corporate Banking), Retail Markets (comprising Retail Banking, Direct Channels and Wealth Management), Ulster Bank, Citizens, RBS Insurance and Manufacturing.

The Group had total assets of £839.3 billion and shareholders' equity of £37.4 billion at 30 June 2006. The Group is strongly capitalized with a total capital ratio of 11.9 per cent and tier 1 capital ratio of 7.6 per cent as at 30 June 2006.

THE TRS SWAP COUNTERPARTY

The information appearing in this section has been prepared by MLI and has not been independently verified by the Issuer, the Co-Issuer, the Collateral Manager, the Initial Purchaser or any other party. Accordingly, notwithstanding anything to the contrary herein, none of the Issuer, the Co-Issuer, the Collateral Manager, the Initial Purchaser or any such other party assumes any responsibility for the accuracy, completeness or applicability of such information.

TRS Swap Counterparty

MLI is organized under the laws of England with its principal executive office located at Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ, United Kingdom. It is a wholly owned indirect subsidiary of Merrill Lynch & Co. ("**ML&Co.**"). MLI does not publish financial statements. The obligations of MLI under the TRS Master Agreement will be guaranteed by ML&Co.

Description of the Guaranty

The payment obligations of the TRS Swap Counterparty under the TRS Master Agreement and all transactions thereunder are guaranteed by ML&Co. (the "**Swap Guarantor**"), pursuant to a Guaranty dated as of the Closing Date (the "**Guaranty**").

TRS Swap Guarantor

ML&Co. is incorporated under the laws of the State of Delaware and has its principal executive office at 4 World Financial Center, 250 Vesey Street, New York, New York 10281, (212) 449-1000. Its registered office in the State of Delaware is c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. ML&Co. is listed on the New York Stock Exchange.

ML&Co. files reports, proxy statements and other information with the SEC. The SEC filings are also available over the Internet at the SEC's web site at http:/www.sec.gov. Investors may also read and copy any document filed at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms and their copy charges. Investors may also inspect the SEC reports and other information at the New York Stock Exchange, 20 Broad Street, New York, New York 10005. ML&Co. will provide without charge to each person to whom this Offering Circular is delivered, on written request of such person, a copy (without exhibits other than exhibits specifically incorporated by reference) of any or all such documents so filed since January 1, 1999. Requests for such copies should be directed to the Corporate Secretary, Merrill Lynch & Co., Inc., 222 Broadway, New York, NY 10038, telephone (212) 670-0432.

Any statements contained in this Offering Circular or in the documents referred to in this section will be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any subsequent document incorporated into this Offering Circular modifies or supersedes the statement.

MATURITY AND PREPAYMENT CONSIDERATIONS

The Final Maturity Date of each Class of Notes is the Payment Date occurring in April 2047, subject to prior redemption under the circumstances described herein. The average life of each Class of Notes is expected to be shorter than the number of years until the Final Maturity Date, and the average lives may vary due to various factors. The average life of each Class of Notes, refers to the weighted amount of time that will elapse from the date of delivery of such Notes until each dollar of the principal of such securities will be paid to the investor. Such average lives will be determined by the amount and frequency of principal payments which in turn are dependent upon, among other things, the amount of payments received at or in advance of the scheduled maturity of Non-Synthetic Portfolio Collateral or scheduled termination of the CDS Transactions (in each case, whether through assignment, termination, sale, maturity, redemption, prepayment, default or other liquidation or disposition). The actual average life and final maturity of each Class of Notes will be affected by the financial condition of the issuers of the underlying

Portfolio Collateral and the characteristics of such collateral, including the existence and frequency of exercise of any optional or mandatory redemption features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level and timing of recoveries on any Defaulted Portfolio Collateral, the frequency of tender or exchange offers for such items of Portfolio Collateral, and the ability of the Issuer to enter into or reinvest collections or proceeds in Additional Portfolio Collateral satisfying the criteria set forth in the Indenture and the reinvestment rates obtained in connection with the purchase of such Additional Portfolio Collateral or in connection with the reinvestment of proceeds in Eligible Investments. It is expected that a substantial amount (by principal balance) of the Reference Obligations will be subject to mandatory redemption or optional redemption or prepayment by the issuer thereof or obligor thereunder. Any acquisition or disposition of Additional Portfolio Collateral will likely change the composition and characteristics of the Portfolio Collateral included in the Trust Estate and the rate of payment thereon, and, accordingly, may affect the actual average life of the Notes. See "Security for the Notes— Changes in Composition of the CDS Transaction."

In addition, the Notes are subject to redemption at the times and under the circumstances, including Tax Redemption, Auction Call Redemption and Optional Redemption, described herein. Any such redemption will affect the average lives of the Notes.

Under the assumptions identified below, the Class A-1LA Revolving Notes are expected to have an average life of approximately 6.2 years and an expected final payment occurring on the Payment Date in January 2014, the Class A-1LB Notes are expected to have an average life of approximately 6.3 years and an expected final payment occurring on the Payment Date in January 2014, the Class A-2L Notes are expected to have an average life of approximately 6.3 years and an expected final payment occurring on the Payment Date in January 2014, the Class A-3L Notes are expected to have an average life of approximately 6.3 years and an expected final payment occurring on the Payment Date in January 2014, the Class A-4L Notes are expected to have an average life of approximately 6.3 years and an expected final payment occurring on the Payment Date in January 2014, the Class B-1L Notes are expected to have an average life of approximately 6.3 years and an expected final payment occurring on the Payment Date in January 2014, the Class B-2L Notes are expected to have an average life of approximately 6.3 years and an expected final payment occurring on the Payment Date in January 2014 and the Class B-3L Notes are expected to have an average life of approximately 6.3 years and an expected final payment occurring on the Payment Date in January 2014. There can be no assurance that the average lives and expected final payment of any Class of Notes will be as set forth above. Prospective investors should make their own determinations of the payments expected to be made in respect of the Notes.

The hypothetical scenario used to determine the average lives of the Notes is as follows: (i) approximately U.S.$900,000,000 in Net Obligation Amount of Portfolio Collateral, (the "**Initial Portfolio Collateral Amount**"), entered into on the Closing Date; (ii) three-month LIBOR is assumed to be approximately (a) 5.37% for CDS Transactions and (b) 5.37% for Non-Synthetic Portfolio Collateral, from the Closing Date to the first Payment Date and LIBOR is assumed to be a respective 3 Month Forward LIBOR thereafter; (iii) 11.48% of the Initial Portfolio Collateral Amount consists of Non-Synthetic Portfolio Collateral; (iv) an Auction Call Redemption occurs on the Payment Date occurring in January 2014; (v) all Credit Default Swaps terminate and all Non-Synthetic Portfolio Collateral matures on the date set forth therein; (vi) all Additional Portfolio Collateral will bear interest at a rate of LIBOR *plus* 1.90% *per annum*; (vii) payments of interest on Portfolio Collateral are invested in Eligible Investments and earn interest at LIBOR for CDS Transactions less 0.25% *per annum*; and (viii) there is no Credit Event, default on Portfolio Collateral, Optional Redemption or Tax Redemption.

The Base Collateral Management Fee and the Additional Collateral Management Fee are assumed to be approximately 0.40% *per annum* in aggregate, and the Trustee Administrative Expenses will be 0.01% *per annum*, Issuer Base Administrative Expenses and Issuer Excess Administrative Expenses will be U.S.$40,000 per Due Period, in the aggregate, each as a percentage of the Quarterly Collateral Amount relating to such Payment Date, as appropriate for the related fee and subject to the availability of funds in the performance scenario. The Quarterly Collateral Amount on the first calculation date is assumed to be U.S.$900,000,000. It is further assumed that the Closing Date is December 7, 2006.

Cash received on or before a Calculation Date is assumed to be available on the following Payment Date. Cash collected after the Calculation Date but before the immediately following Payment Date is assumed to be reinvested in Eligible Investments until the second succeeding Payment Date.

The weighted average lives and expected final payment dates described above are included only for illustrative purposes. The usefulness of these scenarios is limited by, among other things, the predictive value of the underlying assumptions, the uncertain relevance of the assumptions as compared to other factors which have not been identified or taken into account, and assumptions incorporated with respect to the timing of cash flows, prepayments, defaults and recoveries on the Collateral and reinvestment rates. The assumptions are inherently subject to significant economic uncertainties, all of which are impossible to predict and beyond the control of the Co-Issuers and the Collateral Manager. **There can be no assurance that any particular performance scenario will be realized, and the performance of the Notes may be materially different from that shown. Such scenario is not a projection or forecast and was not prepared with a view to complying with published guidelines of the United States Securities and Exchange Commission or the American Institute of Certified Public Accountants regarding projections or forecasts. Under no circumstances should the inclusion of such information be regarded as a representation, warranty or prediction with respect to their accuracy or the accuracy or appropriateness of the underlying assumptions, or that the Notes will achieve or are likely to achieve any particular results. There can be no assurance that the actual performance of the Notes will not vary materially from the scenario and assumptions set forth herein or otherwise used by a prospective investor. Moreover, to the extent that the individual characteristics of the assumed Collateral used for such purposes differ from the individual characteristics of the actual Collateral purchased on the Closing Date and thereafter, the actual performance of the Notes may differ. Prospective investors should conduct such financial analysis as they deem prudent, which may include the preparation of their own performance scenarios under a range of economic and other assumptions chosen by such prospective investors or their advisers. Each prospective investor must make its own evaluation of the merits and risks of investment in the Notes. See "Risk Factors—Nature of the Portfolio Collateral; Ability to Acquire or Enter Into Additional Portfolio Collateral; Availability of Funds for Subordinate Payments," "Risk Factors—Disposition of Portfolio Collateral by Collateral Manager Under Certain Circumstances" and "Risk Factors—Default and Recovery Rates on Portfolio Collateral."**

LEGAL STRUCTURE

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 Majority Noteholders (but only with respect to the Noteholders adversely affected by such proposed supplemental indenture), the Collateral Manager and the Holders of the Preference Shares (and with the consent of the Swap Counterparties, the Senior Prepaid Swap Counterparty or the TRS Swap Counterparty with respect to any modifications that may have a material adverse effect on such parties) and, solely with respect to modifications that could reasonably be expected to have a material adverse effect on the interests of the Class A-1LA Noteholders under the Class A-1LA Note Purchase Agreement or the Indenture, with the consent of the Majority Class A-1LA 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 such Notes. However, without the consent of the Holders of each Outstanding Note adversely affected thereby, and, to the extent provided in the Paying and Transfer Agency Agreement, the holders of the Preference Shares materially adversely affected thereby, no supplemental indenture may (i) change the maturity of the principal of or interest on any Note or Class P1 Combination 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 or Class P1 Combination Note, (ii) reduce the percentage of Holders of Notes whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture, (iii) materially impair or materially adversely affect the Trust Estate securing the Notes, (iv) permit the creation of any lien ranking prior to or on parity with the lien of the Indenture with respect to any part of the Trust Estate or terminate the lien of the Indenture, (v) reduce the percentage of Holders of Notes whose consent is required to direct the Trustee to liquidate the Trust Estate, (vi) 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 Outstanding 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 adversely affected thereby, (vii) modify the provisions thereof relating to priority of distributions or subordination or the definition therein of the terms "Holder," "Noteholder," "Class A-1LA Noteholder," "Majority Noteholders," "Majority Class A-1LA Noteholders," "Majority Preference Shareholders," "Outstanding," "Requisite Noteholders" or "Supermajority of Noteholders", (viii) modify any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of principal of or interest on or other amount in respect of any Note or to affect the right of the Holders of Notes to the benefit of any provisions for the redemption of such Notes contained therein, (ix) modify any provision relating to the institution of proceedings for the Issuer or the Co-Issuer to be adjudicated as bankrupt or insolvent or (x) amend any provision that provides that the obligations of the Issuer or the Co-Issuer are non-recourse obligations. No such supplemental indenture may, without the consent of the Majority Class A-1LA Noteholders, modify any provision of Section 5.1 or Article XII of the Indenture, modify the definition or the applicability of the term "Sequential Pay Test" or "Sequential Trigger Event", impair or adversely affect the Trust Estate, except as otherwise permitted in the Indenture or, except solely with respect to any modifications that could not reasonably be expected to have a material adverse effect on the interests of the Class A-1LA Noteholders, modify any other term or covenant of the Indenture.

Except for any proposed amendment that would affect the terms of the Class P1 Combination Notes as such, Holders of the Class P1 Combination Notes will be entitled to vote in connection with any amendment described in this paragraph only as Holders of the related Components.

The Co-Issuers and the Trustee may also enter into supplemental indentures with the consent of the Collateral Manager (and with the consent of the Swap Counterparties, the Senior Prepaid Swap Counterparty or the TRS Swap Counterparty with respect to any modifications that may have a material adverse effect on such parties, and, solely with respect to any modifications that could reasonably be expected to have a material adverse effect on the interests of the Class A-1LA Noteholders, with the consent of the Majority Class A-1LA Noteholders), but without obtaining the consent of Noteholders or the holders of the Preference Shares, in order to (i) evidence the succession of any person to the Co-Issuers, (ii) add to the covenants of the Co-Issuers for the benefit of the Holders of the Notes and the Class P1 Combination Notes or to surrender any right or power conferred upon the Co-Issuers, (iii) pledge any property to or with the Trustee, (iv) 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 will be necessary to facilitate the administration of the Trust Estate by more than one Trustee, (v) 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, (vi) take any action necessary or helpful to prevent the Issuer 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 United States trade or business or otherwise subject to United States income tax on a net income basis, (vii) correct any manifest error in the Indenture at the direction of the Issuer, (viii) facilitate the delivery and maintenance of the Notes or the Class P1 Combination Notes in accordance with the requirements of DTC, Euroclear or Clearstream, (ix) facilitate the listing of all or any of the Notes on one or more securities exchanges, (x) modify the restrictions on and procedures for resale and other transfer of the Notes or the Class P1 Combination Notes in accordance with any change in applicable law or regulation or enable the Co-Issuers to rely upon any less restrictive exemption from registration under the Securities Act or the Investment Company Act, *provided* that such amendment shall not adversely affect in any material respect the interests of the Holders of the Notes, (xi) notwithstanding anything contained in clause (x) above, to modify the restrictions on and procedures for resale and other transfer of the Notes in accordance with any change in ERISA (or the interpretation thereof) or (xii) cure any ambiguity, make administrative changes, or correct, modify or supplement any provision which is defective or inconsistent with any other provision in the Indenture, *provided* that such amendment shall not adversely affect the interests of the Holders of the Notes.

Except for any proposed amendment that would affect the terms of the Class P1 Combination Notes as such, Holders of the Class P1 Combination Notes shall be entitled to vote with respect to any proposed amendment only as Holders of the related Components.

The Co-Issuers and the Trustee may also enter into supplemental indentures upon satisfying the Rating Condition with respect to Moody's and receiving consent from the Collateral Manager, but without obtaining the consent of any other Person, including any Noteholder or holder of Preference Shares, in order to add additional rows to the Collateral Quality Matrix (other than in accordance with the definition of "Collateral Quality Matrix" in the Indenture).

The Trustee may rely only on an opinion of counsel, and not an officer's certificate or certification of the Collateral Manager, as to whether any proposed supplemental indenture could reasonably be expected to have a material adverse effect on the interests of the Class A-1LA Noteholders.

Notwithstanding the foregoing, the Trustee will not be permitted to enter into any supplemental indenture if, as a result of such supplemental indenture, the rating of any Class of Outstanding Notes or Class P1 Combination Notes (if then rated) would be reduced or withdrawn without the unanimous consent of the Holders of that Class of Notes or Class P1 Combination Notes.

Consolidation, Merger or Transfer of Assets, Incurrence of Indebtedness, Conduct of Business. The Co-Issuers may not consolidate with, merge into, or transfer or convey all or substantially all of their assets to, any other corporation, partnership, trust or other person or entity (except for sales or exchanges of Collateral as contemplated by the Indenture). 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 Preference Shares, the ordinary shares and the other transactions and activities contemplated herein. Pursuant to the Indenture and the Co-Issuer's organizational documentation, the Co-Issuers may also not, without the consent of the Requisite Noteholders, amend their organizational documentation if such amendment would have a material adverse effect on the rights of the Noteholders. Further, pursuant to the Indenture, the Co-Issuers may also not, without the prior written consent of the Majority Class A-1LA Noteholders, effect any amendments of their organizational documentation, if such amendment could reasonably be expected to have a material adverse effect on the interests of the Class A-1LA Noteholders.

Events of Default. An event of default ("**Event of Default**") is defined in the Indenture as being (i) unless otherwise set forth in clause (iv) below, a default in the payment of any Senior Prepaid Swap Payment or any amount payable in respect of any Note when due when funds in such amount are available for payment in accordance with the Indenture, which default shall continue for (A) four Business Days or (B) in the case of a default in payment due solely to an administrative error or omission by the Trustee, any Paying Agent or the Note Registrar, seven Business Days, *provided* that the Trustee has notified each Rating Agency of any such administrative error or omission, (ii) a failure after four Business Days (or in the case of a default in payment due solely to an administrative error or omission by the Trustee, any Paying Agent or the Note Registrar, after seven Business Days, *provided* that the Trustee has notified each Rating Agency of any such administrative error or omission), to apply available amounts in accordance with the priority of distribution set forth in the Indenture, (iii) a default in the payment of (A) the Periodic Interest Amount due on any Class A-1LA Revolving Notes, Class A-1LB Notes or Class A-2L Notes on any Payment Date, (B) after the Class A-1LA Revolving Notes, the Class A-1LB Notes and the Class A-2L Notes are paid in full, the Periodic Interest Amount due on the Class A-3L Notes on any Payment Date, (C) after the Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes and the Class A-3L Notes are paid in full, the Periodic Interest Amount due on the Class A-4L Notes on any Payment Date, (D) after the Class A Notes are paid in full, the Periodic Interest Amount due on the Class B-1L Notes on any Payment Date, (E) after the Class A Notes and the Class B-1L Notes are paid in full, the Periodic Interest Amount due on the Class B-2L Notes on any Payment Date and (F) after the Class A Notes, the Class B-1L Notes and the Class B-2L Notes are paid in full, the Periodic Interest Amount due on the Class B-3L Notes on any Payment Date, which default or failure shall continue for a period of (x) four Business Days or (y) in the case of a default in payment due solely to an administrative error or omission by the Trustee, any Paying Agent or the Note Registrar, seven Business Days, (iv) a default in the payment of the Aggregate Principal Amount and the Cumulative Interest Amount due on any Class of Notes on the Final Maturity Date or in the case of a default in payment due solely to an administrative error or omission by the Trustee, any Paying Agent or the Note Registrar, for a period of seven Business Days, (v) a default in the performance, or a breach of any covenant, representation, warranty or other agreement of the Co-Issuers (or either one of them) other than compliance with the collateral quality criteria described herein, or the failure of any representation or warranty of the Co-Issuers (or either one of them) 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, in any such case which materially and adversely affects the rights of any Class of Noteholders and continuance of such default, breach or failure for a period of 30 days after written notice to the Co-Issuers or the Collateral Manager by the Trustee or to the Co-Issuers or the Collateral Manager and the Trustee by the Majority Noteholders, (vi) certain events of bankruptcy, insolvency, receivership or reorganization of the Co-Issuers, (vii) either of the Co-Issuers or the pool of assets constituting the Trust Estate becomes required to register as an "investment company" under the Investment Company Act of 1940, (viii) (a) the designation of an "early termination date" under the Master Agreement by the Swap Counterparty, (b) the designation of an "early termination date" under the Master Agreement by the Issuer or (c) the occurrence of an

"Event of Default" under Section 5(a)(i) (Failure to Pay or Deliver) of the Master Agreement in which the Swap Counterparty is the "Defaulting Party" (each as defined in the Master Agreement) or (ix) the Adjusted Net Obligation Amount is at any time less than 100.4% of the sum of the Aggregate Principal Amount of the Class A-1LA Revolving Notes and the Aggregate Principal Amount of the Class A-1LB Notes, in the aggregate. The failure to pay in full Periodic Interest on the Class A-3L Notes as a result of insufficient funds being available therefor will not constitute an Event of Default so long as any Class A-1LA Revolving Notes, Class A-1LB Notes or Class A-2L Notes are Outstanding. The failure to pay in full Periodic Interest on the Class A-4L Notes as a result of insufficient funds being available therefor will not constitute an Event of Default so long as any Class A-1LA Revolving Notes, Class A-1LB Notes, Class A-2L Notes or Class A-3L Notes are Outstanding. The failure to pay in full Periodic Interest on the Class B-1L Notes as a result of insufficient funds being available therefor will not constitute an Event of Default so long as any Class A Notes are Outstanding. The failure to pay in full Periodic Interest on the Class B-2L Notes as a result of insufficient funds being available therefor will not constitute an Event of Default so long as any Class A Notes or Class B-1L Notes are Outstanding. The failure to pay in full Periodic Interest on the Class B-3L Notes as a result of insufficient funds being available therefor will not constitute an Event of Default so long as any Class A Notes, Class B-1L Notes or Class B-2L Notes are Outstanding. An event of insolvency could result if relief has been ordered against the Co-Issuers in a case under applicable bankruptcy law and the Co-Issuers, the trustee, if any, for either of the Co-Issuers or a creditor of either of the Co-Issuers were to file an involuntary petition against either of the Co-Issuers. The filing of a petition against the Co-Issuers under applicable bankruptcy law could adversely affect the rights of the Holders of Notes to receive timely payments.

If an Event of Default (other than an Event of Default specified in clauses (vi) or (viii) above) under the Indenture should occur and be continuing with respect to the Notes, the Trustee may, with the consent of the Requisite Noteholders, and shall, at the written direction of the Requisite Noteholders, declare the principal of the Notes to be immediately due and payable. Such declaration may under certain circumstances be rescinded by the Trustee with the consent of the Requisite Noteholders or at the written direction of the Requisite Noteholders. If an Event of Default specified in clauses (vi) or (viii) above should occur and be continuing, the principal of the Notes and the Senior Prepaid Swap Payment shall become immediately due and payable without the necessity of notice or any other action. If the Notes are accelerated, or if the Final Maturity Date has occurred, the Holders of the Notes shall be entitled to receive the Cumulative Interest Amount and the Aggregate Principal Amount with respect thereto (as calculated and accrued through the date of payment in full of the Aggregate Principal Amount of the applicable Class of Notes, other than the Class A-1LA Revolving Notes, and the Aggregate Principal Amount of the Class A-1LA Funded Notes) in the order of priority set forth under "Description of the Notes—Payments on the Notes; Priority of Distributions—Final Maturity Date."

If an Event of Default (other than an Event of Default specified in clause (viii) above) shall have occurred and be continuing or if the Final Maturity Date has occurred, the Trustee shall refrain from liquidating and shall preserve the Trust Estate intact unless (i) the Requisite Noteholders have directed the Trustee to sell or liquidate the Trust Estate or any portion thereof in the case of (A) an Event of Default resulting from failure to pay interest or principal on a Note or (B) a sale or liquidation of all or a portion of the Trust Estate that would result in net termination payments on the Credit Default Swaps due from the Issuer to the Swap Counterparties that would not be greater than zero, (ii) a Supermajority of Noteholders have otherwise directed the Trustee to sell or liquidate the Trust Estate or any portion thereof, (iii) with respect to an Event of Default specified in clause (ix) above only, the Majority Class A-1LA Noteholders have otherwise directed the Trustee to sell or liquidate the Trust Estate or any portion thereof, or (iv) in the case of any Event of Default, the acceleration of the Notes that are due and payable as a result of such Event of Default can no longer be rescinded or annulled under the Indenture and the Trustee determines that the anticipated proceeds of a liquidation of the Portfolio Collateral (after deducting reasonable expenses of such liquidation) would be sufficient to pay in full the principal and accrued interest with respect to all the Outstanding Notes and all amounts payable prior to the payment of principal on such Notes in accordance with Priority of Payments; and in the case of either (i), (ii), (iii) or (iv) above, each Swap Counterparty (if not paid in full) consents to such sale or liquidation and, in the case of an assignment of the Credit Default Swaps, the related Swap Counterparty has agreed in writing to such assignment.

Notwithstanding the foregoing, if an Event of Default specified in clause (viii) above shall have occurred and be continuing, the Trustee shall automatically commence a sale or liquidation of the Trust Estate (other than any Credit Default Swaps that the affected Noteholders have elected not to terminate in connection with an Event of Default under Section 5(a)(i) (Failure to Pay or Deliver) of the Master Agreement) in accordance with the provisions of the Indenture.

Pursuant to the Indenture, as security for the payment by the Issuer of the compensation and expenses of the Trustee and the Paying and Transfer Agent and any sums to which the Trustee and the Paying and Transfer Agent may be entitled to receive as indemnification by the Issuer, the Issuer has granted the Trustee a senior lien on the Trust Estate, which is senior to the lien of the Notes on the Trust Estate. These liens are exercisable by the Trustee or the Paying and Transfer Agent 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 with respect to the Notes 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 Holders of Notes, unless such Holders shall have offered to the Trustee security or indemnity reasonably satisfactory to it. 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, 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.

Rights Under the Indenture. No Holder of a Note 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 with respect to such Notes, (2) the Requisite Noteholders 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 reasonably satisfactory to it 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.

Actions of Noteholders Under the Indenture. If any Noteholder has notified the Trustee in writing that pursuant to such Noteholder's organizational documents or other documents governing such Noteholder's actions, the Noteholder is not permitted to take any affirmative action approving, rejecting or otherwise acting upon any Issuer request under the Indenture including, but not limited to, a request for the consent to a proposed amendment or waiver pursuant to the Indenture, the failure by such Noteholder to consent to or reject any such requested action will be deemed a consent by such Noteholder to the requested action.

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, within certain limitations (including the obligation to pay principal and interest), upon deposit with the Trustee of cash or Eligible Investments sufficient for the amount thereof.

Trustee. LaSalle Bank National Association will be the Trustee under the Indenture for the Notes. The Issuer, the Collateral Manager and their affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The Indenture provides that the Trustee may appoint one or more co-trustees in the event that Holders of the Notes have conflicting interests and in certain other circumstances. The Trustee or an Affiliate of the Trustee may receive compensation in connection with the purchase of certain Eligible Investments as provided in the Indenture.

The Indenture contains provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful misconduct or bad faith arising out of or in connection with the acceptance or administration of its duties under the Indenture.

The Trustee may resign at any time by giving notice as set forth in the Indenture. The Trustee may be removed (i) at any time by the Requisite Holders, or (ii) by the Issuer or the Requisite Noteholders if at any time the Trustee fails to meet certain eligibility criteria set forth in the Indenture or if the Trustee is adjudged to be bankrupt or insolvent or a receiver or liquidator or similar official of the Trustee or its property is appointed. No resignation or removal of the Trustee shall be effective until a successor trustee has been appointed pursuant to the terms of the Indenture.

Governing Law. The Indenture and the other documents relating to the Notes will be construed in accordance with the laws of the State of New York.

Notices. Notices to the Holders of the Notes will be given by first-class mail, postage prepaid, to the registered Holders of the Notes at their address appearing in the Note Register. In addition, for so long as any Class of Notes is listed on any stock exchange and the rules of such exchange so require, notice given to the Holders of any such Class of Notes will also be given to such stock exchange in accordance with its procedures.

DELIVERY OF THE NOTES; TRANSFER RESTRICTIONS; SETTLEMENT

The Notes have not been registered under the Securities Act or any state securities laws and, accordingly, may not be reoffered, resold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. Persons, except in accordance with the restrictions described under "Notices to Purchasers." Terms used in this paragraph have the meanings given to them by Regulation S.

Without limiting the foregoing, by holding a Note, each Holder will acknowledge and agree, among other things, that such Holder understands that neither of the Co-Issuers or the pool of Collateral is registered as an investment company under the Investment Company Act, but that the Co-Issuers are exempt from registration as such by virtue of Section 3(c)(7) of the Investment Company Act, which in general excludes from the definition of an investment company any issuer whose outstanding securities are beneficially owned solely by Qualified Purchasers and which has not made and does not propose to make a public offering of its securities. Any sale or transfer which would violate these provisions shall be void from the time of such sale or transfer, and no sale or transfer may be made if such sale or transfer would require the Co-Issuers to become subject to the requirements of the Investment Company Act.

Each transferee of a Note (except with respect to a transfer pursuant to Regulation S) will be deemed to represent at time of transfer that the transferee is a Qualified Institutional Buyer and (i) that it is a Qualified Purchaser, (ii) that it is not formed for the purpose of investing in the Notes, unless all of its beneficial owners are Qualified Purchasers, (iii) that it is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such transferee owns and invests on a discretionary basis at least U.S.$25 million in securities of issuers that are not affiliated persons of such dealer, (iv) that it is not a plan referred to in paragraph (a)(1)(i)(D) or (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 plan, unless investment decisions are made solely by the fiduciary, trustee or sponsor of such plan, (v) that it and each account for which it is purchasing is purchasing Notes in at least the minimum denomination and (vi) that it will provide written notice of the foregoing and any other applicable transfer restrictions to any transferee.

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines any beneficial owner or Holder of a Note (other than a Note transferred in reliance on Regulation S) is not a Qualified Institutional Buyer and a Qualified Purchaser, the Issuer will require that such beneficial owner or Holder sell all of its right title and interest in such Note to a person who is so qualified, with such sale to be effected within 30 days after notice of such sale requirement is given. If such sale is not effected within such 30 days, upon written direction from the Issuer, the Trustee (or an investment banker selected by the Trustee and approved by the Issuer) will be authorized to conduct a commercially reasonable sale of such Note to a person who does so qualify and pending transfer, no further payments will be made in respect of such note or any beneficial interest therein.

Except for interests in Notes represented by a Regulation S Global Note or a Rule 144A Global Note as described herein, the Notes will be represented by definitive registered Notes registered in the name of the purchaser thereof.

Unless determined otherwise by the Co-Issuers in accordance with applicable law, the Notes will bear the legend set forth below:

> THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. 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 WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, UNITED STATES PERSONS, 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) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, WHOM THE SELLER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, PROVIDED THAT SUCH PURCHASER DELIVERS ALL DOCUMENTS AND CERTIFICATIONS AS THE CO-ISSUERS OR THE TRUSTEE MAY REASONABLY REQUIRE; (B) TO A BUYER OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT; OR (C) TO THE CO-ISSUERS OR THEIR AFFILIATES, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. 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 TO A NON-U.S. PERSON OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S OR TO A "QUALIFIED PURCHASER" WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"), IN A TRANSACTION THAT DOES NOT CAUSE EITHER OF THE CO-ISSUERS OR THE POOL OF COLLATERAL TO BE REQUIRED TO REGISTER UNDER THE INVESTMENT COMPANY ACT. FURTHER, THE CLASS A NOTES MAY NOT BE SOLD OR TRANSFERRED UNLESS SUCH SALE OR TRANSFER WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE. THE CLASS B-1L NOTES AND THE CLASS B-2L NOTES MAY NOT BE SOLD OR TRANSFERRED TO ANY PLAN SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR TO ANY PERSON ACTING ON BEHALF OF OR WITH "PLAN ASSETS" OF ANY SUCH PLAN, INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT, UNLESS THE PURCHASER OR TRANSFEREE IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER ANY OF SECTION 408(b)(17) OF ERISA OR PTCE 96-23, 95-60, 91-38, 90-1 OR 84-14. THE CLASS B-3L NOTES MAY NOT BE SOLD OR TRANSFERRED TO ANY PLAN SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, TO ANY PERSON ACTING ON BEHALF OF OR WITH "PLAN ASSETS" OF ANY SUCH PLAN, OR TO ANY OTHER "BENEFIT PLAN INVESTOR" (AS DEFINED IN SECTION 3(42) of ERISA (A "BENEFIT PLAN INVESTOR"), INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

EACH TRANSFEREE OF A NOTE (EXCEPT WITH RESPECT TO A TRANSFER PURSUANT TO REGULATION S) WILL BE DEEMED TO REPRESENT AT TIME OF TRANSFER THAT SUCH TRANSFEREE IS A QUALIFIED INSTITUTIONAL BUYER AND (I) THAT IT IS A QUALIFIED PURCHASER, (II) THAT IT IS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE NOTES, UNLESS ALL OF ITS BENEFICIAL OWNERS IS A QUALIFIED PURCHASER, (III) THAT IT IS NOT A DEALER DESCRIBED IN PARAGRAPH (a)(1)(ii) OF RULE 144A UNLESS SUCH TRANSFEREE OWNS AND INVESTS ON A DISCRETIONARY BASIS AT LEAST U.S.$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF SUCH DEALER, (IV) THAT IT IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (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 PLAN, UNLESS INVESTMENT DECISIONS ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN, (V) THAT IT AND EACH

ACCOUNT FOR WHICH IT IS PURCHASING IS PURCHASING NOTES IN AT LEAST THE MINIMUM DENOMINATION AND (VI) THAT IT WILL PROVIDE WRITTEN NOTICE OF THE FOREGOING AND ANY OTHER APPLICABLE TRANSFER RESTRICTIONS.

THE INDENTURE PROVIDES THAT IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED THEREIN, THE ISSUER DETERMINES ANY BENEFICIAL OWNER OR HOLDER OF A NOTE (OTHER THAN A NOTE TRANSFERRED IN RELIANCE ON REGULATION S) IS NOT A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, THE ISSUER WILL REQUIRE THAT SUCH BENEFICIAL OWNER OR HOLDER SELL ALL OF ITS RIGHT TITLE AND INTEREST IN SUCH NOTE TO A PERSON WHO IS SO QUALIFIED, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH SALE IS NOT EFFECTED WITHIN SUCH 30 DAYS, UPON WRITTEN DIRECTION FROM THE ISSUER, THE TRUSTEE (OR AN INVESTMENT BANKER SELECTED BY THE TRUSTEE AND APPROVED BY THE ISSUER) WILL BE AUTHORIZED TO CONDUCT A COMMERCIALLY REASONABLE SALE OF SUCH NOTE TO A PERSON WHO DOES SO QUALIFY AND PENDING TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH NOTE OR ANY BENEFICIAL INTEREST THEREIN.

TRANSFERS OF THE NOTES MUST GENERALLY BE ACCOMPANIED BY APPROPRIATE TAX TRANSFER DOCUMENTATION AND ARE SUBJECT TO RESTRICTIONS AS PROVIDED IN THE INDENTURE.

THE FOLLOWING INFORMATION IS PROVIDED PURSUANT TO UNITED STATES TREASURY REGULATION SECTION 1.1275-3(b). THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE HOLDER OF THIS NOTE MAY OBTAIN THE INFORMATION DESCRIBED IN UNITED STATES TREASURY REGULATION SECTION 1. 1275-3(b)(1)(i) FROM THE ADMINISTRATOR, AT THE FOLLOWING ADDRESS: C/O MAPLES FINANCE LIMITED, P.O. BOX 1093 GT, GRAND CAYMAN, CAYMAN ISLANDS.

Subject to the restrictions on transfer set forth in the Indenture and the Notes and except with respect to transfer of an interest in a Regulation S Global Note or a Rule 144A Global Note (the procedure for which is set forth in the Indenture), the Holder of any Notes may transfer the same in whole or in part (in a principal amount equal to any authorized denomination) by surrendering such Notes at the corporate trust office of the Trustee or at the office of any transfer agent, together with an executed instrument of assignment and transfer substantially in the form attached to the Indenture. In exchange for any Notes properly presented for transfer with all necessary accompanying documentation, the Trustee will authenticate and deliver at the corporate trust office of the Trustee or the office of the transfer agent, as the case may be, to the transferee or send by first-class mail at the risk of the transferee to such address as the transferee may request, a Note or Notes, for a like aggregate principal amount and in such authorized denomination or denominations as may be requested. The presentation for transfer of any Notes will not be valid unless made at the office of the Trustee designated for such purpose or at the office of a transfer agent by the registered Holder in person, or by a duly authorized attorney-in-fact. The Holder of a Note will not be required to bear the costs and expenses of effecting any transfer or registration of transfer, except that the relevant Holder will be required to bear (i) the expenses of delivery by other than regular mail (if any) and (ii) if the Co-Issuers so require, the payment of a sum sufficient to cover any duty, stamp tax or governmental charge or insurance charges that may be imposed in relation thereto.

Settlement

All payments in respect of the Notes shall be made in United States dollars in same-day funds.

CERTAIN U.S. TAX CONSIDERATIONS

Introduction

The following is a summary of certain of the United States federal income tax consequences of an investment in the Notes by purchasers that acquire their Notes in the initial offering. The discussion and the opinions referenced below are based upon laws, regulations, rulings, and decisions currently in effect, all of which

are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the United States Internal Revenue Service (the "**IRS**") with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following summary does not deal with all United States federal income tax consequences applicable to any given investor, nor does it address the United States federal income tax considerations applicable to categories of investors subject to special taxing rules, such as banks, expatriates, REITs, RICs, insurance companies, tax-exempt organizations, dealers in securities or currencies, partnerships, natural persons, cash method taxpayers, S corporations, estates and trusts, investors that hold their Notes as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address alternative minimum tax consequences, or the indirect effects on investors in equity interests in either a U.S. Holder or a Non-U.S. Holder (as these terms are defined below). In addition, this summary is generally limited to investors that acquire their Notes on the Closing Date for the issue price applicable to such Notes and who will hold their Notes as "capital assets" within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the United States federal, state, local, and other tax consequences of the purchase, ownership, and disposition of the Notes.

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

United States Federal Income Tax Consequences to the Issuer

Upon the issuance of the Notes, Orrick, Herrington & Sutcliffe LLP, special U.S. tax counsel to the Issuer, will deliver an opinion generally to the effect that under current law, and assuming compliance with the Indenture (and certain other documents) and based on certain factual representations made by the Issuer and the Collateral Manager, although the matter is not free from doubt, the permitted activities of the Issuer will not cause the Issuer to be engaged in the conduct of a trade or business in the United States. Accordingly, the Issuer does not expect to be subject to net income taxation in the United States. Prospective investors should be aware that opinions of counsel are not binding on the IRS and the IRS might seek to treat the Issuer as engaged in a U.S. trade or business. If the IRS were to successfully characterize the Issuer as engaged in a U.S. trade or business, among other consequences, the Issuer would be subject to net income taxation in the United States on its income that was effectively connected with such trade or business (as well as the branch profits tax). The levying of such taxes would materially affect the Issuer's financial ability to discharge its payment obligations with respect to the Notes.

The opinion of special U.S. tax counsel is subject to various considerations. The opinion of special U.S. tax counsel assumes that the parties to the Collateral Management Agreement will comply with the investment guidelines set forth in the Collateral Management Agreement and, in instances where they may deviate from these guidelines based on opinion of counsel or special tax counsel to the Issuer, assumes that any opinion provided with respect to the deviation will be correct and complete (except in instances where Orrick, Herrington & Sutcliffe LLP is providing the opinion). Second, the United States Treasury Department and the IRS recently announced that they are considering taxpayer requests for specific guidance on, among other things, whether a foreign person may be treated as engaged in a trade or business in the United States by virtue of entering into credit default swaps. No guidance has been issued to date. If any future guidance concludes that foreign persons entering into certain credit default swaps will be treated as engaged in a trade or business in the United States, such guidance would adversely impact the Issuer's ability to pay principal and interest on the Notes. Additionally, it should be noted that gain or loss on a disposition by a foreign person of a United States real property interest may be subject to United States federal income tax as if the foreign person were engaged in a United States trade or business (even if the foreign

person is not actually so engaged). The determination of whether an asset constitutes a United States real property interest is made periodically and, therefore, notwithstanding that the Issuer is generally prohibited from acquiring an asset that constitutes a United States real property interest, it is possible that an asset that was not a United States real property interest at the time it was acquired by the Issuer could, thereafter, become a United States real property interest. Finally, if the Issuer accepted a new security in exchange for an existing security or if the terms of an existing security were modified, the new or modified security might cause the Issuer to become engaged in a United States trade or business for United States federal income tax purposes.

It is not expected that the Issuer will derive material amounts of any items of income that will be subject to United States withholding taxes. Notwithstanding the foregoing, any fee that the Issuer earns may be subject to a 30% withholding tax, including fees received under a securities lending agreement. Additionally, if the Issuer is a CFC (defined below), the Issuer would incur United States withholding tax on interest received from a related United States person. The Issuer intends to acquire the Portfolio Collateral, the interest on which and any gain from the sale or disposition of which is not expected to be subject to United States federal withholding tax or withholding tax imposed by other countries (unless, in the case of interest, the obligor is required to "gross up" its payments to compensate for these taxes). The Issuer will not, however, make any independent investigation of the circumstances surrounding the issuance of the individual assets comprising the Portfolio Collateral and, thus, there can be no assurance that payments of interest on and gain from the sale or disposition of the Portfolio Collateral will in all cases be received free of withholding tax.

The Co-Issuers will not be required to pay additional amounts to Holders of any Class of Notes if taxes or related amounts are withheld from payments on the Notes or any payments on any item of Portfolio Collateral or other investments of the Co-Issuers. However, such withholding tax on payments on items of Portfolio Collateral could result in the Notes being redeemed by the Issuer See "—Tax Redemption."

Classification and Tax Treatment of the Notes

The Issuer has agreed and, by its acceptance of a Note, each Holder will be deemed to have agreed, to treat each of the Notes as debt of the Issuer for United States federal income tax purposes. Upon the issuance of the Notes, Orrick, Herrington & Sutcliffe LLP will deliver an opinion generally to the effect that, assuming compliance with the Indenture (and certain other documents) and based on certain factual representations made by the Issuer, the Class A Notes, the Class B-1L Notes and the Class B-2L Notes will, and the Class B-3L Notes should, be characterized as debt for United States federal income tax purposes. For purposes of the preceding sentence and, except as otherwise specifically set forth, the balance of this discussion herein, the Class A-1LA Notes shall refer to the Class A-1LA Funded Notes (and not the Class A-1LA Unfunded Notes). Prospective investors should be aware that opinions of counsel are not binding on the IRS, and there can be no assurance that the IRS will not seek to characterize any Class of Notes as other than indebtedness. Except as provided under "—Alternative Characterization of the Notes" below, the balance of this discussion assumes that the Notes will be characterized as debt of the Issuer for United States federal income tax purposes.

Each U.S. Holder will include interest on the Notes in income in accordance with its regular method of accounting for Federal income tax purposes unless the Notes are viewed as having being issued with original issue discount (**"OID"**) in which case, generally, each U.S. Holder would be required to accrue interest on the Note on an accrual basis under a constant yield methodology, based on the original yield to maturity of the Note. Because interest on the Class A-3L Notes, Class A-4L Notes and Class B Notes may be deferred without giving rise to an Event of Default, all interest (including interest on accrued but unpaid interest) will be treated as OID unless the likelihood of deferral is remote. The Issuer has not determined whether the likelihood of interest being deferred is remote for this purpose and, hence, will treat the interest on the Class A-3L Notes, Class A-4L Notes and Class B Notes as OID. (Additionally, the Issuer will treat any Class of Notes which is issued at a discount equal to or in excess of the product of 0.25% of the stated redemption price at maturity of such Class of Notes and the number of complete years to the maturity date as having been issued with OID.) Any accrued but unpaid OID included in income by a U.S. Holder will increase the U.S. Holder’s basis in the Note and thereby reduce the amount of gain or increase the amount of loss recognized by the U.S. Holder on a subsequent sale or other disposition of the Note.

If any of the Notes are viewed as having been issued with OID, the OID may be accruable under the special rules set forth in Section 1272(a)(6) of the Code (which apply to debt instruments that may be accelerated by reason of the prepayment of other debt obligations securing such debt instruments). If Section 1272(a)(6) does not apply,

the Notes might be treated as "contingent payment debt instruments" ("**CPDIs**") within the meaning of Treasury Regulation Section 1.1275-4. If any Class of Notes were considered CPDIs, among other consequences, gain on the sale of such Notes that might otherwise be capital gain would be ordinary income. Prospective investors should consult their own tax advisors regarding the potential application of Section 1272(a)(6) of the Code to the Notes and the rules governing CPDIs.

In general, a U.S. Holder of a Note will have a basis in such Note equal to the cost of such Note increased by any OID and any market discount that the U.S. Holder has elected to include in income on a current basis and reduced by any amortized premium and payments of principal and OID. Upon a sale, exchange or other disposition of a Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or other disposition (less any accrued and unpaid interest, which would be taxable as such) and the U.S. Holder's tax basis in such Note (as reduced by any accrued and unpaid interest). Such gain or loss generally will be long term capital gain or loss (other than accrued market discount if the U.S. Holder has not elected to include such discount in income on a current basis) assuming that the U.S. Holder has held the Note for more than one year at the time of disposition. In certain circumstances, U.S. Holders that are individuals may be entitled to preferential treatment for net long term capital gains; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

The Class A-1LA Unfunded Notes are entitled to the Class A-1LA Unfunded Interest Amount. Although this amount will be included in the Cumulative Interest Amount for the Class A-1LA Revolving Notes, it is unlikely that this amount constitutes interest for U.S. federal income tax purposes (since it computed by reference to the undrawn principal amount of the Class A-1LA Revolving Notes). Prospective purchasers of Class A-1LA Revolving Notes should consult with their own tax advisors regarding the proper characterization and tax treatment of the Class A-1LA Unfunded Interest.

Alternative Characterization of the Notes

Notwithstanding special U.S. tax counsel's opinion, U.S. Holders should recognize that there is some uncertainty regarding the appropriate classification of instruments such as the Notes. It is possible, for example, that the IRS may contend that the Class B Notes and, possibly, any other Class of Notes should be treated as equity interests (or as part-debt, part-equity) in the Issuer for U.S. tax purposes. Such a recharacterization might result in materially adverse tax consequences to U.S. Holders. Additionally, any such characterization might necessitate those U.S. Holders of a Class of Notes that is characterized as equity to file information returns with the IRS with respect to their acquisition of the Notes (and be subject to significant penalties for failure to do so).

If U.S. Holders of a Class of Notes were treated as owning equity interests in the Issuer for U.S. federal income tax purposes, and subject to the rules discussed below relating to "passive foreign investment companies" ("**PFICs**") and "controlled foreign corporation" ("**CFCs**"), interest payments on the Notes would be treated as dividends to the extent of the current or accumulated earnings and profits of the Issuer. Payments characterized as dividends would be taxable at regular marginal income tax rates applicable to ordinary income, and would not be entitled to the benefit of the dividends received deduction or any reduction in tax rates that may be available for certain dividends. Distributions in excess of the Issuer's earnings and profits would be non-taxable to the extent of, and would be applied against and reduce, the U.S. Holder's adjusted tax basis in the Notes and, to the extent in excess of such basis, would be taxable as gain from the sale or exchange of property.

The tax consequences discussed in the preceding paragraph are likely to be significantly modified as a result of the application of the PFIC and CFC rules discussed below. Thus, U.S. Holders of any Class of Notes that is characterized as equity for U.S. federal income tax purposes would be viewed as owning stock in a PFIC and, possibly, in a CFC (depending, in the latter instance, on the percentage of voting equity that is acquired and held by certain U.S. Holders). If applicable, the rules pertaining to CFCs would generally override those pertaining to PFICs, although in certain circumstances both set of rules could apply simultaneously.

Under the PFIC rules, U.S. Holders of any Class of Notes treated as equity for U.S. federal income tax purposes (other than U.S. Holders that make a timely "qualified electing fund" or **"QEF"** election, as described below) would be subject to special rules relating to the taxation of "excess distributions" – with excess distributions being defined to include certain distributions made by a PFIC on its stock as well as gain recognized on a disposition of PFIC stock. (For this purpose, a U.S. Holder that uses a Note as security for an obligation will be treated as having made a disposition of PFIC stock.) In general, Section 1291 of the Code provides that the amount of any

"excess distribution" will be allocated to each day of the U.S. Holder's holding period for its PFIC stock. The amount allocated to the current year will be included in the U.S. Holder's gross income for the current year as ordinary income. With respect to amounts allocated to prior years, the tax imposed for the current year will be increased by the "deferred tax amount," which is an amount calculated with respect to each prior year by multiplying the amount allocated to such year by the highest rate of tax in effect for such year, together with an interest charge as though the amounts of tax were overdue.

In order to avoid the application of the PFIC rules, U.S. Holders of Notes may wish to consider making the QEF election provided in Section 1295 of the Code on a "protective" basis (although this election may not be respected since the current QEF regulations do not authorize protective QEF elections for debt that may be recharacterized as equity). In lieu of the PFIC rules discussed above, a U.S. Holder that makes a valid QEF election with respect to a Note that is recharacterized as an equity interest in the Issuer for U.S. federal income tax purposes will, in very general terms, be required to include its *pro rata* share of the Issuer's ordinary income and net capital gains, unreduced by any prior year losses, in income for each taxable year (as ordinary income and long-term capital gain, respectively) and to pay tax thereon, even if the amount of that income is not the same as the interest or OID, if any, accruing on the Note during the year. If the Issuer later distributes the income or gain on which the U.S. Holder has already paid taxes under the QEF rules, the amounts so distributed will not again be subject to tax in the hands of the U.S. Holder. A U.S. Holder's tax basis in any Note to which a QEF election has been validly made will be increased by the amount included in such U.S. Holder's income as a result of the QEF election and decreased by the amount of nontaxable distributions received by the U.S. Holder. On the disposition (including redemption or retirement) of a Note that is characterized as equity for U.S. federal income tax purposes, a U.S. Holder making the QEF election generally will recognize capital gain or loss equal to the difference, if any, between the amount realized upon such disposition and its adjusted tax basis in the Note. In general, a protective QEF election should be made on or before the due date for filing a U.S. Holder's federal income tax return for the first taxable year for which the U.S. Holder has held a Note. In this regard, a QEF election is effective only if certain required information is made available by the Issuer. Upon request, the Issuer will provide any U.S. Holder of a Class of Notes that may reasonably be characterized as equity in the Issuer for U.S. federal income tax purposes with the information necessary for such U.S. Holder to make the QEF election. Nonetheless, there can be no assurance that such information will always be available.

The Issuer may be treated as holding securities issued by non-U.S. corporations that are characterized as equity in one or more PFICs for U.S. federal income tax purposes, such as Asset Backed Securities. In that event, U.S. Holders of any Class of Notes treated as equity in the Issuer for U.S. federal income tax purposes would be treated as holding an interest in these indirectly-owned PFICs. Because the U.S. Holder – and not the Issuer – would be required to make any QEF election with respect any such indirectly-owned PFIC, and because PFIC information statements necessary for any such election may not be made available by the PFIC, there can be no assurance that a U.S. Holder would be able to make a QEF election with respect to any particular indirectly-held PFIC. If the U.S. Holder of any Class of Notes treated as equity for U.S. federal income tax purposes has not made a QEF election with respect to an indirectly-owned PFIC, the U.S. Holder would be subject to the consequences described above with respect to the excess distributions of such PFIC (including gain indirectly realized with respect to such PFIC on the sale of the Issuer's interest in the PFIC and with respect to the sale by the U.S. Holder of its interest in the Notes). Alternatively, if the U.S. Holder has made a QEF election with respect to the indirectly-owned PFIC, the U.S. Holder would be required to include in income its share of the indirectly-owned PFIC's ordinary earnings and net capital gain.

U.S. tax law also contains special provisions relating to CFCs. A foreign corporation is a CFC if "U.S. Shareholders" in the aggregate own, directly or indirectly, more than 50% of the voting power or value of the stock of such corporation. For this purpose, a United States person that owns, directly or indirectly, ten percent or more of the voting stock of a CFC is considered a "U.S. Shareholder" with respect to the CFC. If any Class of Notes held by a U.S. Holder were characterized as equity for U.S. federal income tax purposes and such U.S. Holder were properly viewed as a U.S. Shareholder of the Issuer under the CFC rules, the U.S. Holder would be subject each year to U.S. tax (at ordinary income rates) on its pro rata share of the income of the Issuer (assuming that the Issuer is properly classified as a CFC for the year and that the U.S. Holder holds its Notes as of the end of the year), regardless of the amount of cash distributions received by the U.S. Holder with respect to its Notes during the year. Earnings subject to tax to a U.S. Holder under the CFC rules would generally not be taxed again when distributed to the U.S. Holder. In addition, all or a portion of the income that otherwise would be characterized as capital gain upon a sale of U.S.

Holder's interest in the Note may be classified as ordinary income under this recharacterization. Certain income generated by a corporation conducting a banking, financing, insurance, or other similar business is not includible in a U.S. Shareholder's income under the CFC rules. However, by its acceptance of a Note, each Holder will be deemed to have agreed that the Issuer is not engaged in any such business. Accordingly, if the CFC rules were to apply, a U.S. Holder of any Class of Notes that is characterized as equity for U.S. federal income tax purposes and that constitutes a U.S. Shareholder under the CFC rules would generally be subject to tax on its share of all of the Issuer's income.

Prospective investors should be aware that if any Class of Notes that is characterized as debt for United States federal income tax purposes is not fully paid upon maturity, the Issuer may recognize cancellation of indebtedness income for United States federal income tax purposes, without any corresponding offsetting loss (due to tax character differences or otherwise). In such a case, any U.S. Holders of a Class of Notes treated that is as equity for United States federal income tax purposes may also have phantom income as a result of such recognition by the Issuer pursuant to the QEF and CFC rules described above, as to which an offsetting loss may not be available to the U.S. Holders.

Information Reporting Requirements

Information reporting to the IRS may be required with respect to payments on the Notes and with respect to proceeds from the sale of the Notes to Holders other than corporations and certain other exempt recipients. A "backup" withholding tax may also apply to those payments if a Holder fails to provide certain identifying information (such as the Holder's taxpayer identification number or an attestation to the status of the Holder as a Non-U.S. Holder). Backup withholding is not an additional tax and may be refunded (or credited against the Holder's U.S. federal income tax liability, if any) *provided* that certain required information is furnished to the IRS in a timely manner.

Prospective investors should consult with their own tax advisors regarding whether they are required to file an IRS Form 8886 in respect of this transaction (relating to certain "reportable transactions"). Thus, for example, if a U.S. Holder were to sell its Notes at a loss, it is possible that this loss could constitute a reportable transaction. and need to be reported on Form 8886 As another example, a transaction may be reportable if it is offered under conditions of confidentiality. In this regard, each Holder and beneficial holder of a Note (and each of their respective employees, representatives or other agents) is hereby advised that it is permitted to disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described herein (including the ownership and disposition of the Notes). Significant penalties apply for failure to file Form 8886 when required, and Holders are therefore urged to consult their own tax advisors.

If the Class B-3L Notes or any other Class of Notes were classified as equity for U.S. federal income tax purposes, U.S. Holders of such Notes may be required to file Forms with the IRS under the applicable reporting sections of the Code. Thus, for example, under Section 6038, 6038B and/or 6046 of the Code, information may need to be provided to the IRS regarding the U.S. Holder, other U.S. Holders and/or the Issuer if (i) such U.S. Holder owns at least 10% of the total value or 10% of the total combined voting power of all classes of stock entitled to vote or (ii) the acquisition, when aggregated with certain other acquisitions that may be treated as related under applicable regulations, exceeds U.S.$100,000. Upon request, the Issuer will provide U.S. Holders of any Class of Notes that may reasonably be recharacterized as equity for United States federal income tax purposes with information about the Issuer and its shareholders that the Issuer possesses and which may be needed to complete any Form that is so required. In the event a U.S. Holder fails to file a form when required to do so, the U.S. Holder could be subject to substantial tax penalties.

Non-U.S. Holders

A Non-U.S. Holder of a Note that has no connection with the United States should not be subject to United States withholding tax on interest payments (including original issue discount) in respect of a Note, *provided* that the Non-U.S. Holder makes certain tax representations regarding the identity of the beneficial owner of the Notes.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the Issuer and its tax advisors are (or may be) required to inform prospective investors that:

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;
- Any such advice is written to support the promotion or marketing of the Notes and the transactions described herein (or in such opinion or other advice); and
- Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

CAYMAN ISLANDS TAX CONSIDERATIONS

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

Under existing Cayman Islands laws:

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

(ii) the Holder of any Note (or the legal personal representative of such Holder) whose Note is brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Note. In addition, an instrument transferring title to a Note, if brought into or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

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

The Tax Concessions Law

(1999 Revision)

Undertaking as to Tax Concessions

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

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

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

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

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

These concessions shall be for a period of twenty years from the 7th of November, 2006.

CERTAIN ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes requirements on employee benefit plans (as defined in Section 3(3) of ERISA) subject to Title I of ERISA ("**ERISA Plans**") and on persons who are fiduciaries (as defined in Section 3(21) of ERISA) with respect to such ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification, requirements respecting delegation of investment authority and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. Each ERISA Plan fiduciary should give appropriate consideration to the facts and circumstances that are relevant to an investment in the Notes, including the role that an investment in the Notes plays in the ERISA Plan's investment portfolio. Before deciding to invest "plan assets" of any ERISA Plan in the Notes, the investing ERISA Plan fiduciary should be satisfied that investment in the Notes is a prudent investment for the ERISA Plan, that the investments of the ERISA Plan, including the investment in the Notes, are diversified so as to minimize the risk of large losses and that an investment in the Notes complies with the ERISA Plan and related trust documents. Any person who decides to invest "plan assets" of an ERISA Plan in the Notes should consider, among other factors, the factors discussed above under "Risk Factors."

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans, as well as individual retirement accounts and Keogh plans, subject to either or both of such statutes (each, a "**Plan**") from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under Section 4975 of the Code (collectively, "**Parties in Interest**") with respect to such Plans. A violation of these prohibited transaction rules may result in an excise tax or other penalties and liabilities under ERISA and/or Section 4975 of the Code for such persons.

Certain transactions involving the purchase, holding or transfer of the Notes might be deemed to constitute or result in prohibited transactions under ERISA and/or Section 4975 of the Code. For example, if the "plan assets" of an investing Plan were deemed to include assets of the Issuer and if any of the Portfolio Collateral constitutes an obligation of or is purchased from or sold to a Party in Interest with respect to such Plan, an indirect prohibited transaction in the nature of an extension of credit or a purchase or sale of assets between such Plan and such Party in Interest might be deemed to occur. In addition, if the assets of the Issuer were deemed to be "plan assets" of any Plan investors, Notes sold to a Party in Interest with respect to such Plan would constitute a prohibited extension of credit transaction, possibly subjecting such Noteholder to excise taxes under Section 4975 of the Code. Under Section 3(42) of ERISA and regulations issued by the United States Department of Labor ("**DOL**"), set forth in 29 C.F.R. § 2510.3-101 (collectively, the "**Plan Asset Regulations**"), the assets of the Issuer would be treated as "plan assets" of a Plan for purposes of ERISA and Section 4975 of the Code if the Plan acquires an equity interest in the Issuer and none of the exceptions contained in the Plan Asset Regulations applies. An equity interest is defined under the Plan Asset Regulations as any interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features.

Although there is no authority directly on point, it is anticipated that the Notes should be treated as indebtedness under local law and should not be treated as having substantial equity features for purposes of the Plan Asset Regulations. However, without regard to whether (i) the Notes are treated as an equity interest for such purposes or (ii) the assets of the Issuer are deemed to be "plan assets" of an investing Plan, the acquisition or holding of Notes by or on behalf of, or with "plan assets" of, a Plan could be considered to give rise to a prohibited transaction if the Issuer, the Trustee, the Initial Purchaser, the Collateral Manager, an issuer of an item of Portfolio Collateral, or any of their respective affiliates is or becomes a Party in Interest with respect to an investing Plan. Certain statutory and administrative exemptions from the prohibited transaction rules could apply to the acquisition of a Note by or with "plan assets" of a Plan, depending on the type and circumstances of the Plan fiduciary making the decision to acquire a Note. Included among these exemptions are the statutory prohibited transaction exemption available to "service providers" to Plans (*provided* that such servicer provider is not a fiduciary with respect to the "plan assets" being used to acquire the Notes, nor an affiliate of such fiduciary and that the transaction is for "adequate consideration") provided by Section 408(b)(17) of ERISA or DOL Prohibited Transaction Class Exemption ("**PTCE**") 96-23, regarding transactions effected by certain "in-house asset managers"; PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by independent "qualified professional asset managers." However,

even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions and in particular would not apply to prohibited transactions arising from the operations of the Issuer.

In any event, a fiduciary or other person investing "plan assets" of any Plan should not purchase Notes if the Issuer, the Initial Purchaser, the Trustee, the Collateral Manager or any of their respective affiliates either (a) has investment discretion with respect to the investment of such assets; (b) has authority or responsibility to give or regularly gives investment advice with respect to such assets, for a fee, pursuant to an agreement or understanding that such advice will serve as a primary basis for investment decisions with respect to such assets and that such advice will be based on the particular investment needs of such Plan; or (c) unless PTCE 95-60, 91-38 or 90-1 is applicable, is an employer maintaining or contributing to such Plan. A party that is described in clause (a) or (b) of the preceding sentence is a fiduciary under ERISA with respect to the Plan and any such purchase might result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.

As a general rule, certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA), are not subject to the requirements of Section 406 of ERISA and Section 4975 of the Code described above. Accordingly, assets of many such plans may be invested in the Notes without regard to ERISA prohibited transaction considerations described above, subject to the provisions of other applicable federal and state law. However, any such plan which is qualified and exempt from taxation under Sections 401(a) and 501(a) of the Code may nonetheless be subject to the prohibited transaction rules set forth in Section 503 of the Code and, under certain circumstances in the case of church plans, Section 4975 of the Code. Also, some governmental plans may be subject to federal, state or local laws which are, to a material extent, similar to the fiduciary responsibility provisions of ERISA.

Each Holder of a Class A Note by its acquisition thereof, shall be required to make representations or be deemed to represent to the Issuer, the Collateral Manager and the Trustee that either (i) no part of the funds being used to pay the purchase price for such Note constitutes "plan assets" of any Plan, or (ii) if the funds being used to pay the purchase price for such Note includes "plan assets" of any Plan, an exemption to the prohibited transaction rules applies.

Each Holder of a Class B-1L Note or Class B-2L Note by its acquisition thereof, shall be required to make representations or be deemed to represent to the Issuer, the Collateral Manager and the Trustee that either (a) the purchaser or transferee is not a Plan and is not acquiring the Class B-1L Note or Class B-2L Note with assets of a Plan or (b) it is an insurance company and such funds include only assets of its general account, and its acquisition and holding of such Note are eligible for the exemptive relief available under Section I of PTCE 95-60, or the acquisition and holding of the Class B-1L Notes or Class B-2L Notes by the purchaser or transferee are eligible for the exemptive relief available under any of Section 408(b)(17) of ERISA or PTCE 96-23, 91-38, 90-1 or 84-14.

Although there is no authority directly on point, it is anticipated that the Class B-3L Notes will be treated as equity interests for purposes of the Plan Asset Regulations. An exception under the Plan Asset Regulations provides that an investing Plan's assets will not include any of the underlying assets of an entity if equity participation in the entity by "benefit plan investors" is not "significant." The Plan Asset Regulations define a "benefit plan investor" as including (i) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA; (ii) a plan described in and subject to Section 4975 of the Code; (iii) an entity whose underlying assets include "plan assets" by reason of a Plan's investment in the entity; and (iv) a person who is otherwise a "benefit plan investor" (as defined in the Plan Asset Regulations) (a "**Benefit Plan Investor**"). The Plan Asset Regulations provide that equity participation in an entity by Benefit Plan Investors is "significant" if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests in the entity is held by Benefit Plan Investors. For purposes of determining whether this 25% threshold has been met or exceeded, the value of any equity interests held by a person (other than such Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the entity, or any person who provides investment advice for a fee (directly or indirectly) with respect to such assets, or any affiliate of such person, is disregarded.

Accordingly, except as set forth below, the Class B-3L Notes may not be acquired or held by or on behalf of, or with "plan assets" of, any Plan or other Benefit Plan Investor, including an insurance company general account. However, the Class B-3L Notes may be acquired and held by or on behalf of, or with "plan assets" of, a Plan or other Benefit Plan Investor if:

(a) (1)(A) The investor is purchasing the Class B-3L Notes with assets of an "insurance company general account" (within the meaning of PTCE 95-60) (a "**General Account**"); (B) the investor's purchase and holding of the Class B-3L Notes are eligible for the exemptive relief afforded under Section I of PTCE 95-60; (C) less than 25% of the assets of such General Account constitute "plan assets" of Benefit Plan Investors; and (D) if, after the initial acquisition of Class B-3L Notes, during any calendar quarter 25% or more of the assets of such General Account (as determined by such insurance company) constitute "plan assets" of any Plan or other Benefit Plan Investor and no exemption or exception from the prohibited transaction rules applies such that the continued holding of the Class B-3L Notes would not result in violations of Section 406 of ERISA or Section 4975 of the Code then such investor will dispose of all of the Class B-3L Notes then held in such General Account by the end of the next following calendar quarter; or (2) the investor's purchase and holding of the Class B-3L Notes are eligible for the exemptive relief afforded under any of Section 408(b)(17) of ERISA or PTCE 96-23, 91-38, 90-1 or 84-14; and

(b) After giving effect to such purchase and all other purchases occurring simultaneously therewith, less than 25% of each of the Class B-3L Notes (including the Class B-3L Component of the Class P1 Combination Notes), the Class P1 Combination Notes and the Preference Shares (other than any Class B-3L Notes, Class P1 Combination Notes and Preference Shares held by the Collateral Manager or its affiliates) will be held by Benefit Plan Investors.

In addition, except as otherwise provided in the Indenture, if an investor (whether or not it is a Plan or a Benefit Plan Investor) purchases a Class B-3L Note and if, after giving effect to such purchase, the investor (or its affiliates) will own 50% or more of the aggregate par value of the Class B-3L Notes, the Class P1 Combination Notes and the Preference Shares, the investor should consult with its counsel regarding the effect such an investment may have on its ability (and that of its affiliates and their Plans) to purchase Class A Notes, Class B-1L Notes or Class B-2L Notes in reliance upon any of PTCE 96-23, 95-60, 91-38, 90-1 or 84-14.

Except with respect to certain secondary market transactions through the Initial Purchaser, as more fully described in the Indenture, by its purchase of the Class B-3L Notes issued under Rule 144A as Definitive Notes, each such purchaser and transferee will be required to represent and warrant in writing to and agree with the Issuer, the Collateral Manager and the Trustee that (i) its purchase and holding of such Class B-3L Notes will satisfy the ERISA requirements described above and (ii) it will not assign or transfer such Class B-3L Notes unless (1) the proposed assignee or transferee delivers a letter to the Issuer evidencing its agreement to the foregoing ERISA representations and covenants with respect to its purchase, holding and transfer of such Class B-3L Notes and (2) if the investor:

> (x) Is not (and is not acting on behalf of) a Benefit Plan Investor, the assignee or transferee will also not be a Benefit Plan Investor; or
>
> (y) Is (or is acting on behalf of) a General Account, the assignee or transferee will be accurately identified in such letter as either another General Account or a person who is not (and is not acting on behalf of) a Benefit Plan Investor; or
>
> (z) Is (or is acting on behalf of or with "plan assets" of) a Benefit Plan Investor (other than a General Account), the assignee or transferee will be accurately identified in such letter as either a General Account, another Benefit Plan Investor or a person who is not (and is not acting on behalf of) any Benefit Plan Investor.

By its purchase of Class B-3L Notes issued in the form of Regulation S Global Notes, each such purchaser and transferee will be required to represent and warrant to and agree with the Issuer, the Collateral Manager and the Trustee that it will not assign or transfer such Class B-3L Notes if the assignee or transferee will be a Benefit Plan Investor; *provided* that, if the Initial Purchaser acquires Class B-3L Notes issued in the form of Regulation S Global Notes in the secondary market from Benefit Plan Investors, the Initial Purchaser may assign or transfer such Class B-3L Notes in the form of Regulation S Global Notes to an assignee or transferee that is a Benefit Plan Investor *provided* that the other requirements set forth herein are satisfied.

Each Holder of a Class B-3L Note, by its acquisition thereof, shall be deemed to represent to the Issuer, the Collateral Manager and the Trustee that either (a) no part of the funds being used to pay the purchase price for such Note constitutes "plan assets" of any Plan, or (b) if the funds being used to pay the purchase price for

such Note include "plan assets" of any Plan or any other Benefit Plan Investor, (1) either (i) it is an insurance company and such funds include only assets of its general account, and its acquisition and holding of such Class B-3L Note are eligible for the exemptive relief available under Section I of PTCE 95-60, or (ii) its acquisition and holding of such Class B-3L Note are eligible for the exemptive relief available under any of Section 408(b)(17) of ERISA PTCE 96-23, 91-38, 90-1 or 84-14, and (2) the ERISA restrictions with respect to the 25% limitation set forth above have been satisfied.

Any person proposing to invest assets of any Plan, in the Notes should consult with its counsel to confirm that such investment will not constitute or result in any prohibited transaction that is not subject to an exemption and will satisfy the other requirements of ERISA or the Code.

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, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, any state insurance commission, or any other federal or state agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing the 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.

None of the Co-Issuers or the Initial Purchaser make any representation as to the proper characterization of the Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Notes under applicable investment restrictions. The Co-Issuers understand that certain state insurance regulators, in response to a request for guidance, may be 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 guidance or other action that may result from such consideration. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial institution regulatory characteristics of the Notes) may affect the liquidity of the Notes. Accordingly, all institutions whose activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult their own legal advisors in determining whether and to what extent the Notes are subject to investment, capital or other restrictions.

RATINGS

It is a condition to the issuance of the Notes that the Class A-1LA Revolving Notes and the Class A-1LB Notes be rated "AAA" by S&P and "Aaa" by Moody’s, that the Class A-2L Notes be rated at least "AA" by S&P and at least "Aa2" by Moody’s, that the Class A-3L Notes be rated at least "A" by S&P and at least "A2" by Moody’s, that the Class P1 Combination Notes be rated at least "A2" by Moody's with respect to the Rated Balance of the Class P1 Combination Notes, that the Class A-4L Notes be rated at least "BBB+" by S&P and at least "Baa1" by Moody’s, that the Class B-1L Notes be rated at least "BBB" by S&P and at least "Baa2" by Moody’s, that the Class B-2L Notes be rated at least "BBB-" by S&P and at least "Baa3" by Moody’s, that the Class B-3L Notes be rated at least "BB+" by S&P and at least "Ba1" by Moody’s and that the Preference Shares be rated at least “B2” by Moody’s. 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 organization.

The ratings of the Notes by S&P address solely the likelihood of timely payment of the Periodic Interest Amount on and the ultimate payment of the Aggregate Principal Amount of the Class A-1LA Revolving Notes, the Class A-1LB Notes and the Class A-2L Notes and the ultimate payment of the Cumulative Interest Amount and the Aggregate Principal Amount of the Class A-3L Notes, the Class A-4L Notes, the Class B-1L Notes, the Class B-2L Notes and the Class B-3L Notes. The ratings of the Notes by

Moody's address the ultimate cash receipt of all required payments as provided by the governing documents, and are based on the expected loss to the Noteholders of each Class relative to the promise of receiving the present value of such payments. With respect to the Preference Shares, such rating by Moody's addresses solely the likelihood of the ultimate payment of the Preference Shares Stated Amount. A rating is not a recommendation to purchase, hold or sell securities, in as much as such rating does not comment as to market price or suitability for a particular investor and may be subject to revision or withdrawal at any time by the assigning rating organization.

In the event that any rating initially assigned to the 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. The Issuer has not requested a rating on the Notes by any rating agencies other than S&P and Moody's, although data with respect to the CDS Transactions and Reference Obligations may have been provided to other rating agencies solely for informational purposes. There can be no assurance that, if a rating is assigned to the Notes by any other rating agency, such rating will be as high as that assigned by S&P and Moody's.

USE OF PROCEEDS

The net proceeds from the sale of the Notes as described herein, together with net proceeds from the sale of the Preference Shares will be used by the Issuer to fund the deposit in the Expense Reimbursement Account on the Closing Date of approximately U.S.$100,000, which Expense Reimbursement Account will be available for payment from time to time of future expenses of the Issuer pending the receipt of collections in respect of the Credit Default Swaps as described herein, and to pay organizational, legal and other fees and expenses, related to the transaction. The remaining proceeds from the sale of the Notes and the Preference Shares will be deposited in the Initial Deposit Account for investment in Additional Portfolio Collateral and the Principal Account for investment in Eligible Investments, Underlying Assets and Non-Synthetic Portfolio Collateral. The net proceeds from the sale of the Notes, the Class P1 Combination Notes and the Preference Shares, net of fees and expenses related to the transaction that are payable on or after the Closing Date, will be approximately U.S.$390,818,000. The up-front payment from the Senior Prepaid Swap Counterparty will be used by the Issuer to acquire Underlying Assets, Eligible Investments and Non-Synthetic Portfolio Collateral, and to pay for the closing expenses and the related fees.

PLAN OF DISTRIBUTION

The Co-Issuers and the Initial Purchaser have entered into a Purchase Agreement (the "**Purchase Agreement**") dated as of December 7, 2006 relating to the placement of the Notes (other than the Class A-1LA Revolving Notes, which will be acquired directly from the Co-Issuers by the initial Class A-1LA Noteholder pursuant to the Class A-1LA Revolving Note Purchase Agreement) to be delivered on the Closing Date. In the Purchase Agreement, the Co-Issuers have agreed to sell to the Initial Purchaser, and the Initial Purchaser has agreed to purchase the entire principal amount of the Notes (other than the Class A-1LA Revolving Notes) as set forth in the Purchase Agreement, and to privately place such Notes with eligible investors. The obligations of the Initial Purchaser under the Purchase Agreement are subject to the satisfaction of certain conditions set forth in the Purchase Agreement. Pursuant to the Purchase Agreement, each of the Co-Issuers has agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchaser may be required to make in respect thereof.

The Initial Purchaser has advised the Co-Issuers that it proposes to offer the Notes to prospective purchasers from time to time in individually negotiated transactions at varying prices to be determined in each case at the time of sale. The price(s) paid by the Initial Purchaser for the Notes may be less than those paid by other purchasers of the Notes. The Initial Purchaser may offer or sell Notes to purchasers at negotiated prices, which may vary among different purchasers of Notes of any Class. In addition to the structuring and placement fees paid to the Initial Purchaser, the Initial Purchaser may be deemed to receive compensation for the sale of the Notes to the extent that the price(s) paid by it for Notes is less than the price(s) at which they are resold. The Notes are offered when, as and if issued by the Issuer, 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 or about the Closing Date, against payment in immediately available funds.

The Notes have not been 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, United States persons except to (i) Qualified Institutional Buyers in reliance on Rule 144A under the Securities Act and (ii) other persons or entities pursuant to other valid exemptions from the registration requirements of the Securities Act.

Without limiting the foregoing, no transfer of Notes may be made except to a Non-U.S. Person in an offshore transaction in compliance with Regulation S or to a Qualified Purchaser or if such transfer would not require the Issuer or the Co-Issuer to become subject to the registration requirements of the Investment Company Act.

Each of the Co-Issuers and the Initial Purchaser represents and agrees that it (i) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act of 2000 ("**FSMA**")) received by them in connection with the issue or sale of any offered securities in circumstances in which Section 21(a) of the FSMA does not apply to the Issuer and (ii) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the offered securities, in, from or otherwise involving the United Kingdom.

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

Purchasers of Notes sold outside the United States may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the price charged to investors for the Notes.

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.

THE COLLATERAL MANAGER

The information appearing in this Section has been prepared by Vanderbilt Capital Advisors, LLC and has not been independently verified by the Issuer, the Co-Issuer or the Initial Purchaser. Accordingly, notwithstanding anything to the contrary herein, the Issuer, the Co-Issuer and the Initial Purchaser do not assume any responsibility for the accuracy, completeness or applicability of such information.

General

Certain administrative and advisory functions relating to the Portfolio Collateral included in the Trust Estate will be performed by Vanderbilt Capital Advisors, LLC (the "**Collateral Manager**" or "**VCA**"). VCA's principal office is located at 200 Park Avenue, New York, New York, 10166. The firm is a registered investment adviser under the Investment Advisers Act of 1940. Additional information about the Collateral Manager is available through its Form ADV which is on file with the U.S. Securities and Exchange Commission or otherwise upon request from the Collateral Manager. VCA manages in excess of U.S.$12 billion in fixed income assets for over 45 institutional clients. VCA is a research-driven firm with longstanding experience in structured fixed income products and asset backed securities.

On April 25, 2006, VCA was acquired by Pioneer Investment Management USA Inc., the North American operating subsidiary of Pioneer Global Asset Management S.p.A., a global investment management group wholly owned by UniCredito Italiano, S.p.A. VCA or an Affiliate thereof is expected to purchase a majority of the Preference Shares on or about the Closing Date. See "Risk Factors—Potential Conflicts of Interest."

Biographies of Certain Key Individuals

Set forth below is information regarding the background, principal occupations and other affiliations during the past five years or more of certain of the principal officers and employees of VCA who will be primarily responsible for managing the Portfolio Collateral and for performing the advisory and administrative functions related thereto under the Collateral Management Agreement. Their duties include providing the asset management services described herein on behalf of VCA. Such persons may not necessarily continue to be so employed during the entire term of the Collateral Management Agreement.

Patrick A. Livney

Senior Managing Director

Mr. Livney is a Senior Managing Director and the Head of the Structured Finance Group of Vanderbilt Capital Advisors, LLC, a position he has held since June 2003. In addition, Pat is the Chief Executive Officer and a Director of the Vanderbilt Financial Trust. Previously, Mr. Livney was a founding Partner of Meritus Asset Management, where he worked from March 2002 to May 2003. From March 2000 to February 2002, he was a Partner at Asset Allocation & Management Company, responsible for the CDO platform and Marketing. Prior to that, from 1986 through 2000, Mr. Livney worked in institutional fixed income sales on Wall Street where he specialized in structured finance products. Pat serves on the Board of Directors of the Ascendant Structured Credit Opportunity Fund, on the Board of Directors of the CMTA, and on the Steering Committee of the American Securitization Forum CDO Collateral Managers Subforum. He is a frequent speaker at industry conferences. Mr. Livney holds a B.S. in Industrial Engineering from Roosevelt University, Chicago. He has over twenty years of investment experience.

Kurt W. Florian

Chief Operating Officer and Counsel

Mr. Florian is the Chief Operating Officer and Counsel of the Structured Finance Group at Vanderbilt Capital Advisors, LLC. In addition, he is the Chief Operating Officer and Counsel of the Vanderbilt Financial Trust. Previously, from 1998 to 2005, Kurt was a partner at the law firm of Katten Muchin Rosenman LLP in Chicago, where he was co-chair of the securitization practice and focused on securitization and other corporate transactions. From 1995 to 1998, Mr. Florian was a partner at the law firm of Lord Bissell & Brook, where he was an Associate from 1984 to 1995. He is also an Adjunct Professor at the Chicago-Kent College of Law of the Illinois Institute of Technology. In addition, Mr. Florian is a member of the Board of Directors of the Ascendant Structured Credit Opportunity Fund and the Epilepsy Foundation of Greater Chicago. Kurt holds a B.A., with honors, from the University of Chicago, and a J.D. from Duke University School of Law. He has twenty-two years of experience.

Stephen C. Bernhardt

Senior Portfolio Manager

Mr. Bernhardt is a Senior Portfolio Manager at Vanderbilt Capital Advisors, LLC. Steve is also the Chief Investment Officer of the Vanderbilt Financial Trust. Mr. Bernhardt focuses on the CDO and ABS sectors with an emphasis on the structured finance CDO market. Steve was employed by Meritus Asset Management from August 2002 to June 2003. Previously, Mr. Bernhardt traded mortgage backed and asset backed securities at Prudential Securities, Smith Barney, Asset Allocation & Management, and Dean Witter Reynolds. Mr. Bernhardt holds a B.A. from Brown University. He has twenty-one years of investment experience.

Ali Haghighat

Senior Portfolio Manager

Mr. Haghighat is a Senior Portfolio Manager at Vanderbilt Capital Advisors, LLC. Ali focuses on the mortgage market with an emphasis on the Sub-Prime Residential sector of the ABS/MBS market. He joined VCA from Standish Mellon Asset Management where he managed ABS and RMBS securities, developed the RMBS credit platform, and was a senior member of the structured finance CDO group. Prior to that, he was a structured debt research analyst at Banc One Capital Markets and a credit manager within the bank's securitization conduit. Ali has an M.B.A. from Loyola University and a B.S. from the University of Wisconsin-Madison. He has eight years of investment experience.

Edward J. O'Hara

Senior Portfolio Manager

Mr. O'Hara is a Senior Portfolio Manager and head of the ABS CDO Group within the Structured Finance Group of Vanderbilt Capital Advisors, LLC. Ed focuses on the mortgage sector with an emphasis on the Residential A and Alt A sector of the ABS/MBS market. He was previously a Managing Director at INVESCO where he specialized in Mortgage-backed and Asset-backed securities. Prior to that he was a Senior Portfolio Manager at Ark Asset Management serving in a similar capacity. Ed holds a B.S. in accounting from the University of Bridgeport. He has twenty-three years of investment experience.

Lawrence R. Zeno

Senior Portfolio Manager

Mr. Zeno is a Senior Portfolio Manager at Vanderbilt Capital Advisors, LLC. Larry focuses on the sub-prime and second lien residential ABS market, as well as the CMBS sector. Previously, he held the position of Senior Manager of trading at Asset Allocation & Management Company where he also managed the ABS/CMBS Structured Finance portfolio, including the CDOs under management. Larry holds a B.A. from Northwestern University. He has seventeen years of investment experience.

Ben Safanda

Portfolio Manager

Mr. Safanda is a Portfolio Manager at Vanderbilt Capital Advisors, LLC. Ben focuses on quantitative analysis across all of the market sectors. He assists in the monitoring of secondary CDO positions, and tracking transaction cash flows. Mr. Safanda was employed by Meritus Asset Management from August 2002 to June 2003. Previously, he supported the CDO platform at Asset Allocation & Management. He holds a B.A. from Haverford College. Ben has six years of investment experience.

Nicolas N.M. Pauwels

Portfolio Manager

Mr. Pauwels is a Portfolio Manager at Vanderbilt Capital Advisors, LLC. He focuses on ABS CDO quantitative risk management methodology and RMBS surveillance analytics. He is also responsible for the development and implementation of proprietary programs and databases across the ABS CDO platform as well as the modeling of cash flows. Previously, he was a trader at KBC Bank where he traded Eurobonds and emerging markets forwards. He holds an M.B.A. in analytic finance from the University of Chicago, a MS in Tax Management from Solvay Business School, Belgium, and a MS in Applied Economics from the Katholieke Universiteit Leuven, Belgium. He has eight years of investment experience.

Robert Salazar

Senior Administrative Officer – CDOs

Mr. Salazar is a Senior Administrative Officer at Vanderbilt Capital Advisors, LLC. Before joining Vanderbilt, he was a Vice President at LaSalle Bank N.A., where he worked on the closings and modeling of new transactions, while providing oversight on a portfolio of ABS CDOs and Synthetic CDOs. He holds an MBA from DePaul University and a B.S. in Finance from the University of Illinois-Champaign. Mr. Salazar has successfully completed the CFA Level III exam and has six years of investment experience.

Weixiong Li, Ph.D.

Senior Quantitative Analyst

Dr. Li is a Senior Quantitative Analyst at Vanderbilt Capital Advisors, LLC. Weixiong focuses on credit market analytics, risk management methodology and implementation, as well as investment ideas research and testing. Weixiong joined Vanderbilt Capital Advisors from Bank One/JPMorgan, where he was Director of Portfolio Analytics in the Credit Portfolio Management Group. Prior to that, he was Vice President of Enterprise Risk Management at ABN AMRO North America, Research Programmer/Trader at Klee Research and Trading, Industry Analyst at First Chicago Corporation, and Postdoctoral Research Fellow at the Materials Science and Engineering Department of the University of Pittsburgh. Weixiong holds a B.S. from Fudan University in China, and an M.S. and Ph.D. from the Carnegie Mellon University, all majoring in theoretical physics. Weixiong has been a speaker at various conferences and has published research papers in Risk Magazine and other journals. He has eleven years of investment experience.

David E. Ortiz, CFA

Senior Portfolio Manager

Mr. Ortiz is a Senior Portfolio Manager at Vanderbilt Capital Advisors, LLC. David manages the firm's corporate CDO platform and focuses on structured credit products research and trading. He has broad experience in quantitative credit research and has worked closely with CreditSights, Inc. in the portfolio management application of the BondScore model and UBS CreditDelta portfolio optimization module. Previously, he held the position of Partner at Asset Allocation & Management responsible for private placement portfolio management and cyclical public corporate credit research and trading. Prior to that, he worked as a corporate credit research analyst for Prudential Capital's Private Placement Group. David holds an M.B.A. in finance from the University of Chicago and a B.S. in finance from Miami University of Ohio. He has thirteen years of investment experience.

Marc Konheiser

Senior Operations Manager

Mr. Konheiser is a Senior Operations Manager at Vanderbilt Capital Advisors, LLC. He is primarily responsible for coordinating the processing of trades and resolving any settlement issues between broker-dealers and accounts' custodian banks. Prior to Vanderbilt Capital Advisors, he held several positions at AMBAC-Cadre most recently as a money market portfolio manager. Marc holds a B.A. from the University of New York at Stony Brook. He has eleven years of investment experience.

Joseph Carlino

Operations Specialist

Mr. Carlino is an Operations Specialist at Vanderbilt Capital Advisors, LLC. He is responsible for developing, implementing and monitoring a comprehensive risk management program, and for hedge fund operations. Previously, Joseph worked at Mellon Financial Corporation and at Goldman Sachs & Co. Joseph holds a B.A. from St. Francis College. He has twenty-three years of experience in Financial Operations.

Anthony Pilewski

Operations Assistant

Mr. Pilewski is an Operations Assistant at Vanderbilt Capital Advisors, LLC. He coordinates trade processing and resolution of settlement issues between broker-dealer and accounts' custodian banks. Previously, Tony worked at Garban ICAP and Nomura Securities in IT development as well as operations in fixed income securities. Tony has attended SUNY Farmingdale and holds an A.S. in Computer Information Systems and is a candidate for a B.S. in such field. He has over twenty-two years of experience in the financial industry.

THE COLLATERAL MANAGEMENT AGREEMENT

General

Pursuant to a Collateral Management Agreement between the Issuer and the Collateral Manager (the "**Collateral Management Agreement**"), the Collateral Manager will perform certain portfolio management functions, including without limitation, directing the Issuer to acquire and dispose of Portfolio Collateral and will perform certain administrative functions on behalf of the Issuer in accordance with the applicable provisions of the Indenture. The following summary describes certain provisions of the Collateral Management Agreement. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Collateral Management Agreement.

The Collateral Manager will be authorized to direct the investment, reinvestment and disposition of Collateral, with full authority and at its discretion (without reference to the Issuer), on the Issuer's behalf and at the Issuer's risk. Without limiting the foregoing, except under certain limited circumstances, the Collateral Manager will be authorized to select, and instruct the Trustee with respect to (a) the Portfolio Collateral to be entered into or acquired by the Issuer and the Eligible Investments to be acquired by the Issuer and (b) the Portfolio Collateral and the Eligible Investments to be hedged, assigned, terminated, sold or tendered by the Issuer. The Collateral Management Agreement will provide that the services performed by the Collateral Manager thereunder will be provided on a non-exclusive basis. In addition, the Collateral Manager may, from time to time, cause or direct another account managed by the Collateral Manager to buy or sell, or recommend to the account the buying or selling of, securities of the same or a different kind or class of the same issuer, as the Collateral Manager directs be purchased or sold on behalf of the Trust Estate.

The Indenture places significant restrictions on the Collateral Manager's ability to direct the Issuer to acquire and dispose of Collateral for the Trust Estate, and the Collateral Manager is subject to compliance with such document. Accordingly, during certain periods or in certain specified circumstances, the Issuer may be unable to buy or sell securities or to take other actions which the Collateral Manager might consider in the best interests of the Issuer and its creditors and the Holders of Notes and the Preference Shares, as a result of the restrictions contained in the Indenture.

Compensation

As compensation for its services under the Collateral Management Agreement, the Collateral Manager will be entitled to receive a Base Collateral Management Fee and an Additional Collateral Management Fee.

The Base Collateral Management Fee is a fee that will accrue from the Closing Date and be payable to the Collateral Manager, if and to the extent funds are available for such purpose as described under "Description of the Notes-Payments on the Notes; Priority of Distributions", in arrears on each Payment Date. The Base Collateral Management Fee will be calculated on the basis of a 360-day year and the actual number of days elapsed for the related Periodic Interest Accrual Period. The Base Collateral Management Fee payable on any Payment Date will be payable from Collateral Interest Collections remaining after payment of certain fees and expenses of the Issuer but prior to payment of interest on the Notes. The Base Collateral Management Fee will accrue if unpaid, but without interest thereon. To the extent Collateral Interest Collections are insufficient to pay any accrued and unpaid Base Collateral Management Fee payable on any Payment Date, the Base Collateral Management Fee will be payable from amounts on deposit in the Principal Account available for such purpose as described under "Description of the Notes—Payments on the Notes; Priority of Distributions."

The Additional Collateral Management Fee is a fee that will accrue from the Closing Date and be payable to the Collateral Manager, if and to the extent funds are available for such purpose as described under "Description of the Notes—Payments on the Notes; Priority of Distributions", in arrears on each Payment Date (to the extent provided in the Collateral Management Agreement). The Additional Collateral Management Fee will be calculated on the basis of a 360-day year and the actual number of days elapsed for the related Periodic Interest Accrual Period. The Additional Collateral Management Fee payable on any Payment Date will be payable from Collateral Interest Collections remaining after payment of certain fees and expenses of the Issuer, the Base Collateral Management Fee, interest on the Notes and certain other amounts. The Additional Collateral Management Fee will accrue if unpaid, but without the accrual of any interest thereon.

If amounts distributable on any Payment Date as described under "Description of the Notes—Payments on the Notes; Priority of Distributions" are insufficient to pay the Base Collateral Management Fee or the Additional Collateral Management Fee, then the payment thereof will be deferred and will be payable without interest on subsequent Payment Dates as described herein.

The Collateral Manager will receive reimbursement for certain expenses from the proceeds of the issuance of the Notes and the Preference Shares. The Collateral Manager will generally be responsible for its own expenses incurred in the course of performing its obligations under the Collateral Management Agreement. Generally, the Collateral Manager will not be liable to the Issuer, the Co-Issuer, the Trustee, the Swap Counterparties, the holders of Notes or the holders of Preference Shares for any loss incurred as a result of the actions taken or recommended by the Collateral Manager under the Collateral Management Agreement or the Indenture, except that the Collateral Manager may incur liability to the Issuer under the Collateral Management Agreement by reason of acts or failures to act constituting bad faith, willful misconduct, or gross negligence in the performance of its obligations thereunder. The Collateral Manager will be entitled to indemnification by the Issuer under certain circumstances as described in the Collateral Management Agreement. In addition, the Collateral Manager has entered into certain indemnification agreements with the Initial Purchaser. Under certain circumstances the Collateral Manager also may resign or be removed.

Notwithstanding the foregoing, if the Collateral Manager is terminated, resigns or is removed, the Base Collateral Management Fee may be increased and the Additional Collateral Management Fee correspondingly decreased on a basis point equivalent at the direction of the Requisite Noteholders, *provided* that each Rating Agency has confirmed that it will not reduce or withdraw the then current rating assigned by it to any Class of Notes with respect to such change in such fees.

Termination of Collateral Management Agreement

The Collateral Management Agreement may be terminated by the Issuer for cause upon 10 days' prior written notice by the Requisite Noteholders and, so long as no Event of Default has occurred and is continuing, the Holders of at least 66-2/3% of the Preference Shares. Notes and/or Preference Shares held by the Collateral Manager or an affiliate or investment accounts over which the Collateral Manager or an affiliate thereof has a discretionary authority will be disregarded for this purpose; *provided* that voting rights with respect to any Preference Shares held by an Affiliate of the Collateral Manager may be voted with respect to the removal of the Collateral Manager by a majority of the independent directors of such Affiliate, determined in accordance with the governance documents of such Affiliate. The Collateral Manager will be required pursuant to the Collateral Management Agreement to provide to the Trustee information (upon which they may conclusively rely) relating to such directors, necessary for the Trustee to make any such determination. For purposes of the Collateral Management Agreement, "**cause**" means any of the following events:

(i) the Collateral Manager fails to make, when due, any payment to be made by the Collateral Manager under the Collateral Management Agreement if such failure is not remedied on or before the tenth day after written notice of such failure is given to the Collateral Manager;

(ii) the Collateral Manager fails to comply with or perform, in any material respect, any agreement or obligation (other than a payment obligation) to be complied with or performed by the Collateral Manager in accordance with the Collateral Management Agreement and such failure (if remediable) is not remedied on or before the 30th day after written notice of such failure is given to the Collateral Manager;

(iii) a representation made or deemed to have been made by the Collateral Manager in or pursuant to the Collateral Management Agreement proves to have been incorrect or misleading in any material respect when made or deemed to have been made and such misrepresentation (if remediable) is not remedied on or before the 30th day after written notice of such failure is given to such party;

(iv) the Collateral Manager consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another person and either (1) at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee person fails to assume all the

obligations of such party under the Collateral Management Agreement by operation of law or pursuant to an agreement reasonably satisfactory to the other party to the Collateral Management Agreement or (2) the creditworthiness of the resulting, surviving or transferee person is materially weaker than that of such party immediately prior to such action;

(v) certain bankruptcy events occur with respect to the Collateral Manager;

(vi) due to the adoption of, or any change in, any applicable law after the date of the Collateral Management Agreement, or, due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after the date of the Collateral Management Agreement, it becomes unlawful for any party to perform any material obligation (contingent or otherwise) which such party has under the Collateral Management Agreement;

(vii) the Collateral Manager commits fraud against the Issuer;

(viii) the Collateral Manager or any of its principals is convicted of a felony relating to the Collateral Manager's primary business as an investment advisor; or the Collateral Manager is indicted for, is adjudged liable in a civil suit for or is convicted of a violation of the Securities Act or any other federal securities law or rules and regulations thereunder relating to the Collateral Manager's primary business as an investment advisor;

(ix) an Event of Default occurs that results from any breach by the Collateral Manager of its duties under the Indenture or the Collateral Management Agreement, which breach or default is not cured within any applicable cure period; or

(x) the Collateral Manager willfully breaches, or takes any action that it knows violates, any provision of the Collateral Management Agreement or any term of the Indenture applicable to it.

The Collateral Manager may resign, at any time, upon 90 days' (or such shorter notice as is acceptable to the Issuer) written notice to the Issuer.

The Issuer has no right to terminate the Collateral Management Agreement without cause.

No termination of the Collateral Management Agreement, and no resignation of the Collateral Manager, will be effective (i) unless an Eligible Successor has agreed in writing to assume all of the Collateral Manager's duties and obligations, (ii) unless such Eligible Successor has not been objected to by at least 66-2/3% of the Noteholders and the holders of the Preference Shares (voting together as a single class) within 30 days after notice of appointment of the successor Collateral Manager, (iii) without 10 days' prior notice to each Rating Agency, each Swap Counterparty and the Trustee and (iv) unless such termination and assumption by an Eligible Successor satisfies the Rating Condition.

For the purposes of the Collateral Management Agreement, an "**Eligible Successor**" means an established institution that (i) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement and with a substantially similar (or better) level of expertise, (ii) is legally qualified and has the capacity to act as Collateral Manager, as successor to the Collateral Manager in the assumption of all of the responsibilities, duties and obligations of the Collateral Manager and under the applicable terms of the Indenture, (iii) the appointment of which will not cause the Issuer or the Collateral to become required to register under the provisions of the Investment Company Act, (iv) the appointment of which will not cause adverse tax consequences to the Issuer or any holder of the Notes, and (v) each Rating Agency has confirmed that the appointment of such successor Collateral Manager will not cause its then-current rating of any Class of Notes to be reduced or withdrawn. If the Collateral Manager shall resign or be removed, but an Eligible Successor shall not have assumed all of the Collateral Manager's duties and obligations within 90 days after such resignation by reason of an objection of the Holders of the Notes as aforesaid, then the resigning Collateral Manager may petition any court of competent jurisdiction for the appointment of an Eligible Successor.

Amendment of Collateral Management Agreement

The Collateral Management Agreement may be amended or modified by the Issuer and the Collateral Manager, with the prior written consent of the Majority Class A-1LA Noteholders and the Majority Noteholders, and subject to the satisfaction of the Rating Condition; *provided* that the consent of the Majority Class A-1LA Noteholders and the Majority Noteholders or confirmation by Moody's and S&P will not be required for an amendment or modification to cure any ambiguity, to correct or supplement any provisions therein, to comply with any changes in law, or to make any other provisions with respect to matters or questions arising under the Collateral Management Agreement which shall not be inconsistent with the provisions thereof or of the Indenture, so long as such amendment or modification does not adversely affect in any material respects the interests of any Noteholder (as evidenced by an opinion of counsel acceptable to the Trustee) and each of Moody's and S&P is notified in writing of such amendment or modification.

LISTING AND GENERAL INFORMATION

1. Application has been made to the Irish Stock Exchange for the Notes and the Class P1 Combination Notes to be admitted to the Daily Official List. Application has been made to the Irish Stock Exchange for the Preference Shares to be admitted to listing and trading on its Alternative Securities Market, which is not a regulated market (as defined by Article 1(13) of Directive 93/22/EEC). There can be no assurances that such listings will be granted and, if granted, maintained. The total expenses related to the admission to trading of the Notes, Class P1 Combination Notes and Preference Shares on the Irish Stock Exchange are estimated at €15,000.

2. If and for so long as any Class of Notes is listed on the Irish Stock Exchange, electronic copies of the Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer, the Certificate of Incorporation and By-laws of the Co-Issuer, the resolutions of the Board of Directors of the Company authorizing the issuance of the Notes, the resolutions of the Board of Directors of the Co-Issuer authorizing the issuance of the Notes, the Indenture, the Swap Agreement, the TRS Swap Agreement and the Collateral Administration Agreement will be available for inspection at the office of the Trustee.

3. Neither of the Co-Issuers is involved, or has been since incorporation, in any governmental, litigation or arbitration proceedings relating to claims on amounts which may have or have had a significant effect on the financial position of the Co-Issuers in the context of the issue of the Notes, nor, so far as the Co-Issuers are aware, is any such governmental, litigation or arbitration involving them pending or threatened.

4. The issuance of the Notes and the Class P1 Combination Notes was authorized by the Board of Directors of the Issuer by resolutions passed on or before the Closing Date. The issuance of the Notes and the Class P1 Combination Notes was authorized by the Board of Directors of the Co-Issuer by resolutions passed on or before the Closing Date. Since incorporation, neither the Issuer nor the Co-Issuer has commenced trading, established any accounts or declared any dividends, except for the transactions described herein relating to the issue of the Notes or Class P1 Combination Notes.

5. Since incorporation or formation, as applicable, neither the Issuer nor the Co-Issuer have published annual reports and accounts. 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 state 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, specifying the same.

6. The Notes and Combination Notes sold in offshore transactions in reliance on Regulation S and represented by Regulation S Global Notes have been accepted for clearance through Clearstream and Euroclear.

7. The Co-Issuers have been formed as special purpose vehicles or entities for the purpose of issuing asset-backed securities.

8. The CUSIP Numbers and International Securities Identification Numbers ("ISIN") for the Notes, Class P1 Combination Notes and Preference Shares represented by Regulation S Global Notes and Rule 144A Global Notes, as applicable, are as indicated below:

	Regulation S Notes		Rule 144A Notes	
	CUSIP	ISIN	CUSIP	ISIN
Class A-1LA Notes	G9512Y AA 8	USG9512Y AA 85	94769W AA 1	N/A
Class A-1LB Notes	G9512Y AB 6	USG9512Y AB 68	94769W AC 7	N/A
Class A-2L Notes	G9512Y AC 4	USG9512Y AC 42	94769W AE 3	N/A
Class A-3L Notes	G9512Y AD 2	USG9512Y AD 25	94769W AG 8	N/A
Class 4-L Notes	G9512Y AE 0	USG9512Y AE 08	94769W AJ 2	N/A
Class B-1L Notes	G9512Y AF 7	USG9512Y AF 72	94769W AL 7	N/A
Class B-2L Notes	G9512Y AG 5	USG9512Y AG 55	94769W AN 3	N/A
Class B-3L Notes	G9512Y AH 3	USG9512Y AH 39	94769W AQ 6	N/A
Class P1 Combination Notes	N/A	USG9512X AA 03	N/A	N/A
Preference Shares	G9512X 102	KYG9512X1025	94769U 10 7	N/A

CERTAIN LEGAL MATTERS

The validity of the Notes and certain other legal matters, including certain matters relating to certain United States federal tax consequences of the ownership of the Notes, will be passed upon for the Issuer and the Initial Purchaser by Orrick, Herrington & Sutcliffe LLP, New York, New York. Certain legal matters relating to Cayman Islands law will be passed on for the Issuer by Maples and Calder. As to all matters of Cayman Islands law, Orrick, Herrington & Sutcliffe LLP will rely on the opinions of Maples and Calder.

ANNEX A

GLOSSARY OF CERTAIN DEFINED TERMS

Set forth below are definitions of certain defined terms used in this Offering Circular.

"Accounts": Collectively, the Collection Account, the Initial Deposit Account, the Payment Account, the Delivered Obligation Account, the TRS Counterparty Collateral Account, the Principal Account, the Expense Reimbursement Account, the Hedging CDS Reserve Account, the Short CDS Reserve Account, the Class A-1LA Downgraded Holder Reserve Account, the Swap Posting Account, the Custodial Account and the Closing Expense Account, including any sub-account of any of the foregoing.

"Accrued Interest on Sale": Interest accrued on an item of Non-Synthetic Portfolio Collateral at the time of sale or other disposition to the extent paid to the Issuer as part of the sale or other disposition price of such item of Portfolio Collateral after deducting amounts representing Purchased Accrued Interest of such item of Non-Synthetic Portfolio Collateral.

"Additional Collateral Management Fee": With respect to each Due Period, an amount equal to 0.20% *per annum* of the Quarterly Collateral Amount, calculated on the basis of a 360-day year and the actual number of days elapsed for the related Periodic Interest Accrual Period.

"Additional Portfolio Collateral": Any item of Non-Synthetic Portfolio Collateral or Credit Default Swap purchased, entered into or committed to be purchased or entered into during the Revolving Period but after the Effective Date in accordance with the terms of the Indenture.

"Adjusted Collateral Interest Collections": As defined under "Description of the Notes—Distributions from the Collection Account—Adjusted Collateral Interest Collections."

"Adjusted Net Obligation Amount": As of any date of determination:

(i) the Net Aggregate Adjusted Notional Amount, minus

(ii) the Reference Obligation Adjustment Amount, plus

(iii) the Delivered Obligation Adjusted Principal Amount, plus

(iv) the Non-Synthetic Adjusted Principal Amount, plus

(v) principal collections and disposition proceeds in the Principal Account received in connection with Delivered Obligations and items of Non-Synthetic Portfolio Collateral.

"Adjusted Notional Amount": With respect to each CDS Transaction, Hedging CDS Transaction, Short CDS Transaction and Hedging Short CDS Transaction, the related Notional Amount *multiplied by* the related Reference Price.

"Adjusted Principal Account Amount": As of any date of determination, (i) the Principal Account Amount, *minus* (ii) the Reference Obligation Adjustment Amount, and *plus* (iii) the Delivered Obligation Adjusted Principal Amount and the Non-Synthetic Adjusted Principal Amount and *plus* (iv) the Deposit.

"Adjusted Principal Amount": (I) With respect to any item of Defaulted Portfolio Collateral, the least of:

(A) the product of (I) the Aggregate Principal Amount or the Net Aggregate Adjusted Notional Amount (as applicable), and (II) 100% *minus* the applicable percentage for such Defaulted Portfolio Collateral, set forth in the Moody's loss rate matrix included as a schedule to the Indenture (based upon the Specified Type of Asset Backed Security, the Moody's Rating of such item of Defaulted Portfolio

Collateral on the date on which such Defaulted Portfolio Collateral was issued by the issuer thereof and the percentage of the issuance of which such Defaulted Portfolio Collateral is a part relative to the total capitalization of the applicable issuer or obligor on the date on which such Defaulted Portfolio Collateral was originally issued);

(B) the product of (i) the Aggregate Principal Amount or the Net Aggregate Adjusted Notional Amount (as applicable) for such Defaulted Portfolio Collateral times (ii) the percentage set forth in the applicable table in the S&P recovery rate matrix included as a schedule to the Indenture (based upon the S&P Rating of such Defaulted Portfolio Collateral on the date on which such Defaulted Portfolio Collateral was issued by the issuer thereof); and

(C) the Market Value of such Defaulted Portfolio Collateral.

(II) With respect to any Deferred Interest PIK Bond, the least of:

(A) the product of (I) the Aggregate Principal Amount or the Net Aggregate Adjusted Notional Amount (as applicable) thereof and (II) 100% minus the applicable percentage for such Deferred Interest PIK Bond, set forth in the Moody's loss rate matrix included as a schedule to the Indenture (based upon the Specified Type of Asset-Backed Security, the Moody's Rating of such Deferred Interest PIK Bond on the date on which such Deferred Interest PIK Bond was issued by the issuer thereof and the percentage of the issuance of which such Deferred Interest PIK Bond is a part relative to the total capitalization of the applicable issuer or obligor on the date on which such Deferred Interest PIK Bond was originally issued);

(B) the product of (I) the Aggregate Principal Amount or the Net Aggregate Adjusted Notional Amount (as applicable) for such Deferred Interest PIK Bond and (II) the percentage set forth in the applicable table in the S&P recovery rate matrix included as a schedule to the Indenture (based upon the S&P Rating of such Deferred Interest PIK Bond on the date on which such Deferred Interest PIK Bond was issued by the issuer thereof); and

(C) the Market Value of such Deferred Interest PIK Bond.

"Administration Agreement": The Administration Agreement, dated on or about the Closing Date, between the Issuer and the Administrator.

"Administrator": Maples Finance Limited, or any successor appointed by the Issuer.

"Affected Class": Any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amounts otherwise payable to such Class on any Payment Date.

"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; *provided* that (for the avoidance of doubt) the only Affiliate of the Issuer shall be the Co-Issuer and the only Affiliate of the Co-Issuer shall be the Issuer.

"Aggregate Adjusted Notional Amount": The aggregate Adjusted Notional Amount of all CDS Transactions.

"Aggregate Base Fees and Expenses": As defined under "Description of the Notes—Adjusted Collections."

"Aggregate Exposure Amount": An amount equal to the sum of the Maximum CDS Amount and the Aggregate Principal Amount of all Non-Synthetic Portfolio Collateral and Delivered Obligations included in the Trust Estate. Prior to the Effective Date, the Aggregate Exposure Amount will be deemed to equal the Required Portfolio Collateral Amount.

"Aggregate Notional Amount": With respect to each of the CDS Transactions, Hedging CDS Transactions, Short CDS Transactions and Hedging Short CDS Transactions, the aggregate Notional Amount of all such CDS Transactions, Hedging CDS Transactions, Short CDS Transactions and Hedging Short CDS Transactions.

"Aggregate Principal Amount": With respect to any date of determination, when used with respect to any item of Non-Synthetic Portfolio Collateral or Delivered Obligation, the aggregate Principal Balance (if any) of such item of Portfolio Collateral on such determination date. With respect to any date of determination, when used with respect to any Underlying Asset, the aggregate Principal Balance (if any) of such Underlying Asset on such determination date. With respect to any date of determination, when used with respect to any Eligible Investments, the Balance of such Eligible Investments on such date of determination. When used with respect to any Note or Class of Notes, as of any date of determination, the original principal amount of such Note or Class of Notes, as applicable, reduced by all prior payments, if any, made with respect to principal of such Notes, *provided* that with respect to the Class A-1LA Revolving Notes, the Aggregate Principal Amount means the sum of the Class A-1LA Funded Amount and the Class A-1LA Unfunded Commitment. When used with respect to the Notes in the aggregate, the sum of the Aggregate Principal Amount of each Class of Outstanding Notes. When used with respect to any Class P1 Combination Note, as of any date of determination, the original principal amount of the related Components reduced by all prior payments, if any, made with respect to principal of such Components.

"Amortization Period": The period beginning on the day after the end of the Revolving Period and ending on the Payment Date upon which the Aggregate Principal Amount of the Notes is paid in full and the Class A-1LA Unfunded Commitment is permanently reduced to zero.

"Applicable Percentage": With respect to any Credit Default Swap, as defined in the related Confirmation.

"Applicable Periodic Rate": With respect to each Class of Notes and for each Periodic Interest Accrual Period, as described under "Description of the Notes—Payments on the Notes; Priority of Distributions—General."

"Appreciated Criteria": With respect to any item of Portfolio Collateral other than any Short CDS Transaction or any Hedging CDS Transaction, such item of Portfolio Collateral has, in the Collateral Manager's reasonable judgment, significantly improved in credit quality and for which there has been either: (a) a decrease in the spread on the item of Portfolio Collateral by an amount exceeding 5% since the date on which such item of Portfolio Collateral was acquired or (b) an upgrade or placement on a watch list for possible upgrade by Moody's, Standard & Poor's or Fitch by one or more subcategories since it was acquired by the Issuer. With respect to any Short CDS Transaction or any Hedging CDS Transaction: (a) placement by Moody's, Standard & Poor's or Fitch of the item of Portfolio Collateral on its credit watch list with potential negative or developing credit implications or deterioration of the rating of the item of Portfolio Collateral by one or more sub-categories from the rating in effect on the date such obligation became an item of Portfolio Collateral; (b) an increase in the spread on the item of Portfolio Collateral by an amount exceeding 25% since the date on which such item of Portfolio Collateral was acquired or became a Reference Obligation or decrease in price to 99% or less of the value of such item of Portfolio Collateral since the date on which it was acquired or became a Reference Obligation; (c) a decline in the par amount of underlying collateral such that the aggregate par amount of the entire class of securities to which such item of Portfolio Collateral belongs and all other securities secured by or representing interests in the same pool of underlying collateral and that rank senior or pari passu in priority of distribution to such class of securities exceeds the aggregate par amount of all collateral (excluding defaulted collateral) securing or underlying such securities; or (d) with respect to any PIK Bond where interest has been deferred or capitalized for one full interest payment.

"Appreciated Portfolio Collateral": Any item of Portfolio Collateral which, in the Collateral Manager's sole judgment, has a market price that is greater than the price that is warranted by its terms and credit characteristics or otherwise satisfies the Appreciated Criteria.

"Asset-Backed Security": Any obligation that is either (i) a security that is primarily serviced by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, and that, by its terms converts into cash within a finite time period, *plus* any rights or other assets designed to assure the servicing or timely distribution of proceeds to the holders thereof or (ii) an "asset-backed security" as such term may be defined from time to time in the "General Instructions to Form S-3 Registration Statement" promulgated under the Securities Act, including collateralized bond obligations and collateralized loan obligations.

"Auction": As defined in "Description of the Notes—Auction Call Redemption."

"Auction Agent": Initially, the Trustee (acting through an investment bank selected by the Trustee in consultation with the Collateral Manager).

"Auction Call Redemption": As defined in "Description of the Notes—Auction Call Redemption."

"Auction Call Redemption Amount": As defined in "Description of the Notes—Auction Call Redemption."

"Auction Call Redemption Date": As defined in "Description of the Notes—Auction Call Redemption."

"Auction Call Redemption Price": As defined in "Description of the Notes—Auction Call Redemption."

"Auction Date": As defined in "Description of the Notes—Auction Call Redemption."

"Auction Procedures": As defined in Annex E to the Indenture.

"Available Funds": With respect to any Payment Date, the amount of any positive balance in the Note Collection Accounts as of the Calculation Date relating to such Payment Date**.**

"Average Class A-1LA Funded Amount": For any Periodic Interest Accrual Period, the quotient of (i) the sum of the Aggregate Principal Amount of Class A-1LA Funded Notes for each day that occurred during such Periodic Interest Accrual Period divided by (ii) the number of days in such Periodic Interest Accrual Period.

"B Rating Category": With respect to any item of Portfolio Collateral, such item of Portfolio Collateral having an S&P Rating of "B+", "B" or "B-" or a Moody's Rating of "B1", "B2" or B3."

"BB Rating Category": With respect to any item of Portfolio Collateral, such item of Portfolio Collateral, having an S&P Rating of "BB+", "BB" or "BB-" or a Moody's Rating of "Ba1", "Ba2" or "Ba3."

"Balance": On any date, with respect to cash or Eligible Investments credited to the Accounts, the aggregate (i) face amount or current balance, as the case may be, of cash, demand deposits, time deposits, certificates of deposit, bankers' acceptances, federal funds and commercial bank money market accounts; (ii) outstanding principal amounts of interest-bearing government and corporate securities, and (iii) purchase price of non-interest-bearing government and corporate securities, commercial paper and repurchase obligations and with respect to Underlying Assets as to which the Issuer has entered into a Total Return Swap referencing such Underlying Asset, the Aggregate Principal Amount of such Underlying Assets.

"Base Collateral Management Fee": With respect to each Due Period, an amount equal to 0.20% *per annum* of the Quarterly Collateral Amount, calculated on the basis of a 360-day year and the actual number of days elapsed for the related Periodic Interest Accrual Period.

"Benchmark Rate": With respect to an item of Portfolio Collateral or a Reference Obligation, as applicable, an obligation that does not bear interest at a floating rate, the yield reported, as of 10:00 a.m. (New York City time) on the second Business Day preceding the date of acquisition of such item of Portfolio Collateral or a Reference Obligation, as applicable, on the display designated as "Page 678" on the Telerate Access Service (or such other display as may replace Page 678 on Telerate Access Service) for actively traded U.S. Treasury securities having a maturity equal to the Average Life of such item of Portfolio Collateral or a Reference Obligation, as applicable, on such date of acquisition.

"Business Day": Any day that is not a Saturday, Sunday or other day on which commercial banking institutions in the City of New York, the State of New York, or in the city in which the Trustee's Corporate Trust Office is located or, to the extent action is required of a Paying Agent, including the Trustee, in the city of the place of payment, are authorized or obligated by law or executive order to be closed. If a Listing and Paying Agent has been appointed and action is required of the Listing and Paying Agent, the location of the Listing and Paying Agent shall be considered in determining "Business Day" for purposes of determining when such Listing and Paying Agent action is required.

"Calculation Agent": Initially, LaSalle Bank National Association.

"Calculation Date": The last day of each Due Period.

"CCC Rating Category": Any item of Portfolio Collateral having a S&P Rating of "CCC+", "CCC" or "CCC-" or a Moody's Rating of "Caa1", "Caa2" or "Caa3."

"CDO Securities": As defined in Annex B hereto.

"CDS Transaction": A credit default swap entered into by the Issuer, as the seller of protection, and the Swap Counterparty, as the buyer of protection, evidenced by a Master Agreement and a Confirmation. References to "CDS Transaction" herein will refer to the Reference Obligation specified therein, as the context requires, but will not include Hedging CDS Transactions, Short CDS Transactions or Hedging Short CDS Transactions.

"Class": The Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes, the Class A-4L Notes, the Class B-1L Notes, the Class B-2L Notes, the Class B-3L Notes and the Combination Notes, as the case may be.

"Class A Notes": The Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes and the Class A-4L Notes.

"Class A-1LA Downgraded Holder Reserve Account": As described under "Description of the Notes—The Class A-1LA Revolving Notes."

"Class A-1LA Funded Amount": As of any date of determination, the sum of (a) the aggregate principal amount of the Class A-1LA Funded Notes Outstanding as of the Closing Date (taking into account any Class A-1LA Note Fundings made on the Closing Date), plus (b) any Class A-1LA Note Fundings advanced after the Closing Date and prior to such date of determination, minus (c) any Class A-1LA Principal Prepayments paid on or after the Closing Date and prior to such date of determination, minus (d) any other payments of principal made to the Holders of the Class A-1LA Revolving Notes in accordance with priority of payments described herein; *provided*, however, in each case, that the related Holder meets the Class A-1LA Rating Requirement.

"Class A-1LA Funded Interest Amount": With respect to any Payment Date, the sum of:

(i) the product of (A) the Average Class A-1LA Funded Amount for the related Periodic Interest Accrual Period *times* (B) the Class A-1LA Funded Note Rate *times* (C) the actual number of days in the related Periodic Interest Accrual Period, divided by 360; and

(ii) the Class A-1LA Funded Interest Shortfall Amount for such Payment Date.

"Class A-1LA Funded Interest Shortfall Amount": With respect to any Payment Date, any shortfall or shortfalls in the payment of the Class A-1LA Funded Interest Amount with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon at the Class A-1LA Funded Note Rate, net of any Class A-1LA Funded Interest Shortfall Amount paid prior to such Payment Date.

"Class A-1LA Funded Note Rate": The *per annum* rate equal to (a) LIBOR (determined as provided herein) *plus* (b) 0.34%.

"Class A-1LA Funded Notes": The funded portion of the Class A-1LA Revolving Notes.

"Class A-1LA Note Funding": A payment by a Holder of a Class A-1LA Revolving Note to the Issuer, of the amount applied to pay Physical Settlement Amounts, Principal Shortfall Amounts, Trading Loss Payments or Writedown Amounts, to the extent the amounts on deposit in the Principal Account and the UA Collateral Sub-Account have been reduced to zero; *provided, however,* that funds advanced by a Class A-1LA Noteholder in connection with such holder failing to satisfy the Class A-1LA Rating Requirement will not qualify as a Class A-1LA Note Funding for any purpose until such amounts are transferred by the Trustee from the Class A-1LA Downgraded Holder Reserve Account to the Principal Account in connection with a subsequent Class A-1LA Note Funding Request.

"Class A-1LA Note Funding Request": A "Funding Request" as defined in the Class A-1LA Revolving Note Purchase Agreement.

"Class A-1LA Noteholder": Each Holder of Class A-1LA Revolving Notes.

"Class A-1LA Principal Prepayment": The repayment by the Issuer of principal amounts owing under the Class A-1LA Funded Notes in a minimum amount of no less than the Minimum Prepayment Amount, from the Principal Account.

"Class A-1LA Rating Requirement": A requirement that will be satisfied with respect to any Holder of the Class A-1LA Revolving Notes as of any specified date if (i) such Holder is not on credit watch with negative implications and (ii) the short-term debt, deposit or similar obligations of such Holder (or any Affiliate thereof that unconditionally and absolutely guarantees the obligations of such Holder) are on such date rated "P-1" by Moody's and "A-1+" by Standard & Poor's and the long-term debt obligations of such Holder (or any Affiliate thereof that unconditionally and absolutely guarantees (with such form of guarantee conforming to Standard & Poor's then-current criteria on guarantees) the obligations of such Holder) are on such date rated at least "AA-" by Standard & Poor's and "Aa3" by Moody's; *provided that* if such Holder is (a) the Swap Counterparty or an Affiliate thereof or (b) a Specified Revolving Noteholder, then the "Class A-1LA Rating Requirement" will be deemed to have been satisfied with respect to such Holder; and provided further, that if such Holder has failed to fund any Class A-1LA Note Funding in breach of its obligations under the Class A-1LA Revolving Note Purchase Agreement and the Class A-1LA Revolving Note, then the "Class A-1LA Rating Requirement" shall be deemed not to have been satisfied with respect to such Holder.

"Class A-1LA Revolving Note Purchase Agreement": The Class A-1LA Revolving Note Purchase Agreement among the Issuer, the Trustee and the Holder of the Class A-1LA Revolving Notes, dated the date hereof, relating to a variable funding credit facility to be provided to the Issuer by the Holders of the Class A-1LA Revolving Notes, on or after the date hereof, on the terms set forth therein.

"Class A-1LA Revolving Notes": The U.S.$609,000,000 Class A-1LA Revolving Notes Due April 2047 issued by the Co-Issuers and having the terms described herein, consisting of the Class A-1LA Funded Notes and the Class A-1LA Unfunded Notes.

"Class A-1LA Unfunded Commitment": Initially, U.S.$609,000,000 as reduced by (i) the aggregate amount of Class A-1LA Note Fundings and (ii) any other reductions thereof specified in the Indenture, and as increased by any Class A-1LA Principal Prepayments.

"Class A-1LA Unfunded Interest Amount": With respect to any Payment Date (*provided* that the related Holder meets the Class A-1LA Rating Requirement), the sum of:

(i) the product of (A) the Average Class A-1LA Unfunded Commitment for the related Periodic Interest Accrual Period times (B) the Class A-1LA Unfunded Note Rate times (C) the actual number of days in the related Periodic Interest Accrual Period, divided by 360; and

(ii) the Class A-1LA Unfunded Interest Shortfall Amount for such Payment Date.

"Class A-1LA Unfunded Interest Shortfall Amount": With respect to any Payment Date, any shortfall or shortfalls in the payment of the Class A-1LA Unfunded Interest Amount with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon at the Class A-1LA Unfunded Note Rate, net of any Class A-1LA Unfunded Interest Shortfall Amount paid prior to such Payment Date.

"Class A-1LA Unfunded Note Rate": 0.20% *per annum.*

"Class A-1LA Unfunded Notes": The portion of the Class A-1LA Revolving Notes representing the Class A-1LA Unfunded Commitment.

"Class A-1LB Notes": The U.S.$158,000,000 Class A-1LB Floating Rate Notes due April 2047.

"Class A-2L Notes": The U.S.$70,000,000 Class A-2L Floating Rate Notes due April 2047.

"Class A-3L Component": The component of a Class P1 Combination Note representing Class A-3L Notes with an aggregate initial principal amount of U.S.$5,000,000.

"Class A-3L Notes": The U.S.$59,000,000 Class A-3L Floating Rate Deferrable Notes due April 2047.

"Class A-4L Notes": The U.S.$10,000,000 Class A-4L Floating Rate Deferrable Notes due April 2047.

"Class B-1L Notes": The U.S.$32,000,000 Class B-1L Floating Rate Deferrable Notes Due April 2047.

"Class B-2L Notes": The U.S.$10,000,000 Class B-2L Floating Rate Deferrable Notes Due April 2047.

"Class B-3L Component": The component of a Class P1 Combination Note representing Class B-3L Notes with an aggregate initial principal amount of U.S.$5,000,000.

"Class B-3L Notes": The U.S.$9,000,000 Class B-3L Floating Rate Deferrable Notes Due April 2047.

"Class P1 Combination Notes": The U.S.$10,000,000 Class P1 Combination Notes due April 2047.

"Class P1 Stated Principal Balance": With respect to the Class P1 Combination Notes, initially $10,000,000, as reduced as described herein under "Description of the Notes—Class P1 Combination Notes.

"Clean-up Call": As defined in "Security for the Notes—The Total Return Swap—Optional Termination."

"CLO Securities": As defined in Annex B attached hereto.

"Closing Date": December 7, 2006.

"Closing Expense Account": An account maintained by the Issuer with the Trustee into which an amount necessary to pay closing expenses will be deposited on the Closing Date.

"Code": The United States Internal Revenue Code of 1986, as amended from time to time.

"Co-Issuer": Webster CDO I (Delaware) Corp., a Delaware corporation.

"Co-Issuers": The Issuer and the Co-Issuer.

"Collateral Interest Collections": With respect to any Payment Date, the sum of (i) all payments of interest with respect to any Delivered Obligations or Non-Synthetic Portfolio Collateral (excluding all TRS Underlying Transaction Interest Distributions and amounts received in connection with items of Non-Synthetic Portfolio Collateral and Delivered Obligations which are Defaulted Portfolio Collateral up to an amount equal to, in the aggregate, the Principal Balance of such item of Defaulted Portfolio Collateral, but including any receipts of accrued interest (including Accrued Interest on Sale)) and, to the extent so determined by the Collateral Manager, any payments (other than principal) received pursuant to a consent or similar solicitation, fees received in connection with an amendment (but only to the extent such amendment does not result in diminishing the principal money terms of such item of Portfolio Collateral), *plus* (ii) all Fixed Rate Counterparty Payments and Fixed Rate Shortfall Reimbursement Amounts made by the Swap Counterparties to the Issuer under the CDS Transactions, any payments made by the Swap Counterparties under the Hedging Short CDS Transactions and any TRS LIBOR Payments made by the TRS Swap Counterparty under the Total Return Swap, *plus* (iii) interest and dividend income made to the Issuer from the earnings on Eligible Investments in the Accounts, *less* (iv) any Hedging CDS Transaction Fixed Rate and any Short CDS Transaction Fixed Rate due to the Swap Counterparties, *less* (v) any Fixed Rate Shortfall Reimbursement Amounts made by the Issuer under the Hedging CDS Transactions, *less* (vi) any Short CDS Fixed Rate Shortfall Reimbursement Amounts made by the Issuer under the Short CDS Transactions, to the extent not paid out of the Short CDS Reserve Account, *plus* (vii) any amounts released from the Short CDS Reserve Account and deposited in the Collection Account upon termination or assignment of the related Short CDS Transaction, *less* (viii) any amounts due in connection with the payment of Fixed Rate Shortfall Amounts with respect to CDS Transactions

which have "variable caps" *plus* (ix) all payments (after giving effect to any netting applicable with respect to such payments) received by the Issuer after the previous Payment Date, or, with respect to the first Payment Date, after the Closing Date pursuant to the Senior Prepaid Swap Agreements and received by 12:00 p.m. ET on the applicable Payment Date.

"Collateral Management Agreement": The Collateral Management Agreement, dated as of the Closing Date, between the Issuer and the Collateral Manager, and if amended as permitted therein and in the Indenture, as so amended.

"Collateral Manager": Vanderbilt Capital Advisors, LLC, until a successor Person becomes the manager pursuant to the provisions of the Collateral Management Agreement, and thereafter "Collateral Manager" shall mean such successor Person.

"Collateral Manager Order": A written order or request (which may be in the form of a standing order or request) dated and signed in the name of the Collateral Manager by an authorized officer of the Collateral Manager.

"Collateral Quality Matrix": As described under "Security for the Notes—Changes in Composition of Portfolio Collateral—Collateral Quality Tests."

"Collateral Quality Tests": The MAC Test, the Weighted Average Rating Test, the Weighted Average Life Test, the Weighted Average Fixed Rate Test, the Weighted Average Recovery Rate Test, the Weighted Average Coupon Test and the Standard & Poor's CDO Monitor Test.

"Collateral Shortfall": As defined in "Security for the Notes—The Total Return Swap."

"Collection Account": The account established with the Trustee for use in connection with the collection and disbursement of payments.

"Class P1 Combination Notes": The Class P1 Combination Notes.

"Component": Each of the Class A-3L Component and the Class B-3L Component, individually or collectively, as the context may require.

"Confirmation": Each confirmation executed by the Issuer and a Swap Counterparty under a Master Agreement.

"Credit Default Swap": Any CDS Transaction, Hedging CDS Transaction, Short CDS Transaction or Hedging Short CDS Transaction.

"Credit Derivatives Definitions": The 2003 ISDA Credit Derivatives Definitions, as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions.

"Credit Enhancement": As defined in "Security for the Notes—The Total Return Swap—Credit Enhancement."

"Credit Enhancement Event": As defined in "Security for the Notes—The Total Return Swap—Credit Enhancement."

"Credit Risk Criteria": With respect to all items of Portfolio Collateral other than any Short CDS Transaction or any Hedging CDS Transaction: (a) placement by Moody's, Standard & Poor's or Fitch of the Portfolio Collateral on its credit watch list with potential negative or developing credit implications or deterioration of the rating of the Portfolio Collateral by one or more sub-categories from the rating in effect on the date such obligation became an item of Portfolio Collateral; (b) an increase in the spread on the item of Portfolio Collateral by an amount exceeding 25% since the date on which such item of Portfolio Collateral was acquired or became a Reference Obligation or decrease in price to 99% or less of the value of such item of Portfolio Collateral since the

date on which it was acquired or became a Reference Obligation; (c) a decline in the par amount of underlying collateral such that the aggregate par amount of the entire class of securities to which such item of Portfolio Collateral belongs and all other securities secured by or representing interests in the same pool of underlying collateral and that rank senior or pari passu in priority of distribution to such class of securities exceeds the aggregate par amount of all collateral (excluding defaulted collateral) securing or underlying such securities; or (d) any PIK Bond as to which interest has been deferred or capitalized for one full interest payment. With respect to any Short CDS Transaction or any Hedging CDS Transaction, such item of Portfolio Collateral has, in the Collateral Manager's reasonable judgment, significantly improved in credit quality and for which there has been either: (a) a decrease in the spread on the item of Portfolio Collateral by an amount exceeding 5% since the date on which such item of Portfolio Collateral was acquired or (b) an upgrade or placement on a watch list for possible upgrade by Moody's, Standard & Poor's or Fitch by one or more subcategories since it was acquired by the Issuer.

"Credit Risk Portfolio Collateral": Any item of Portfolio Collateral (other than Defaulted Portfolio Collateral) which, in the Collateral Manager's sole judgment, is likely to decline in credit quality and, with the passage of time, become a Defaulted Portfolio Collateral.

"Credit Spread": The all in coupon of an item on Non-Synthetic Portfolio Collateral or Delivered Obligation less the index that such item of Non-Synthetic Portfolio Collateral references.

"Cumulative Interest Amount": With respect to a Payment Date and a Class of Notes, the applicable Periodic Interest Amount with respect to such Payment Date and such Class of Notes and the applicable Periodic Rate Shortfall Amount, if any, with respect to such Payment Date and such Class of Notes.

"Current Period CDS Notional Amount": On any date during the Revolving Period, an amount calculated on the last day of any Due Period; provided that on the Effective Date, such amount must equal U.S.$ 886,500,000.00 and, with respect to any MLI Payment Date, such amount shall be the maximum Net Aggregate Adjusted Notional Amount as of the last day of each previous Due Period (as shown in the Trustee Report); *provided, further,* that if the Issuer provides written notice to the TRS Swap Counterparty four Business Days in advance of any MLI Floating Amount Calculation Period specifying a different amount to be effective on the first day of such MLI Floating Amount Calculation Period, the Current Period CDS Notional Amount shall be such amount until and unless the Issuer provides an additional written notice to the TRS Swap Counterparty of a different Current Period CDS Notional Amount (which shall require the same four Business Days advance notice prior to any relevant MLI Floating Amount Calculation Period in order for such different Current Period CDS Notional Amount to be effective) and (B) after the Revolving Period, the Net Aggregate Adjusted Notional Amount of the Credit Default Swaps as of the last day of the Due Period immediately prior to the current MLI Floating Amount Calculation Period as shown in the Trustee Report; provided that any Current Period CDS Notional Amount shall not be effective for purposes of calculations under the Total Return Swap until the Payment Date immediately subsequent to the Due Period referenced in the latest Trustee Report.

"Custodial Account": As described under "Security for the Notes—Accounts."

"Default": Any event or condition the occurrence or existence of which would, with the giving of notice or lapse of time or both, become an Event of Default.

"Defaulted Delivered Obligation": Each Delivered Obligation that satisfies the definition of Defaulted Portfolio Collateral.

"Defaulted Non-Synthetic Portfolio Collateral": Each item of Non-Synthetic Portfolio Collateral that satisfies the definition of Defaulted Portfolio Collateral.

"Defaulted Portfolio Collateral": Any item of Portfolio Collateral with respect to which:

(1) (a) the issuer thereof has defaulted in the payment of principal or interest, without regard to any grace period or waiver, or (b) pursuant to its Underlying Instruments, there has occurred any default or event of default which entitles the holders thereof, with notice or passage of time or both, to accelerate the maturity (whether by mandatory prepayment, mandatory redemption or otherwise) of all or a portion of

the outstanding principal amount of such item of Portfolio Collateral, unless (x) in the case of a default or event of default consisting of a failure of the obligor on such item of Portfolio Collateral to make required interest payments (which shall not include interest on any PIK Bond permitted under the terms of the Underlying Instruments to be deferred or paid in kind), such item of Portfolio Collateral has resumed current payments of interest in cash (whether or not any waiver or restructuring has been effected) and all such delinquent required payments have been paid in full in cash or (y) in the case of any other default or event of default, such default or event of default is no longer continuing;

(2) permits deferral and/or capitalization of interest otherwise due and with regard to which interest has been deferred and/or capitalized and the payment of interest in cash and/or the payment of all deferred amounts of interest has not been resumed and/or effected within one (1) year of such deferral and/or capitalization;

(3) ranks pari passu with or subordinate to any other material indebtedness for borrowed money owing by the issuer of such item of Portfolio Collateral (for purposes hereof, "Other Indebtedness") if such issuer has defaulted in the payment of principal or interest with respect to such Other Indebtedness, *provided, however*, that such Other Indebtedness of such issuer will not include any series of such Other Indebtedness that may be issued or owing by a separate special purpose entity if such issuer has defaulted in the payment of principal or interest in respect of such Other Indebtedness unless, in the case of a default or event of default consisting of a failure of the obligor on such item of Portfolio Collateral to make required interest payments, such Other Indebtedness has resumed current payments of interest (including all accrued interest) in cash (whether or not any waiver or restructuring has been effected) and all such delinquent required payments have been paid in full in cash;

(4) any bankruptcy, insolvency or receivership proceeding has been initiated in respect of the issuer of such Portfolio Collateral, or there has been proposed or effected any distressed exchange or other debt restructuring where the issuer of such Portfolio Collateral has offered the debt holders a new security package or securities that either (A) amounts to a diminished financial obligation or (B) has the purpose of helping the issuer to avoid default; or

(5) (i) S&P has assigned a rating of "CC", "D" or "SD" with respect to an item of Portfolio Collateral that is an Asset-Backed Security, or as to which S&P has withdrawn its rating, unless otherwise notified by S&P or (ii) Moody's has assigned a Moody's Rating of "Ca" or "C", unless otherwise notified by Moody's.

Any such item of Portfolio Collateral shall continue to be an item of Defaulted Portfolio Collateral only until such time as the default or event of default has been cured or, in the case of a default or event of default other than a payment default, waived, and such security then otherwise satisfies the criteria described in the Indenture as applicable to such security.

"Deferred Interest PIK Bond": A PIK Bond with respect to which interest has been deferred and capitalized for the lesser of (i) a period of 180 days or (ii) one payment period, but only until such time as payment of interest on such PIK Bond has resumed and all capitalized or deferred interest has been paid in full and in cash in accordance with the terms of the underlying documents; *provided that* a PIK Bond with a Moody's Rating of at least "Baa3" will not be considered a Deferred Interest PIK Bond unless the deferral of payment of interest thereon has occurred for the lesser of (i) two payment periods during which interest has been deferred and capitalized and (ii) a period of one year.

"Definitive Notes": With respect to any Class, the definitive fully registered Notes of each Class sold in the United States to Qualified Institutional Buyers who are U.S. Persons or issued in lieu of a Regulation S Global Note under the circumstances described herein.

"Deliverable Obligation": With respect to any Credit Default Swap, as defined in the applicable Confirmation.

"Delivered Obligation": Each Reference Obligation that has been delivered to the Issuer pursuant to a CDS Transaction.

"Delivered Obligation Account": As described under "Security for the Notes—Accounts."

"Delivered Obligation Adjusted Principal Amount": The principal amount of all Delivered Obligations (other than any Delivered Obligation which satisfies the definition of Defaulted Delivered Obligation or constitutes a Deferred Interest PIK Bond) minus the aggregate Principal Haircut Amount for all Delivered Obligations (other than any Delivered Obligation which satisfies the definition of Defaulted Delivered Obligation or constitutes a Deferred Interest PIK Bond) plus the Adjusted Principal Amount of all Defaulted Delivered Obligations and Delivered Obligations which constitute Deferred Interest PIK Bonds.

"Deposit": The amount credited to the Initial Deposit Account on the Closing Date, including any reimbursement for amounts withdrawn therefrom as described under "Security for the Notes—Accounts" (excluding any Reinvestment Income thereon), *less* any amount applied after the Closing Date to acquire items of Non-Synthetic Portfolio Collateral or additional Underlying Assets in connection with the Issuer entering into additional Credit Default Swaps.

"Discount Haircut Amount": With respect to any Discount Security, an amount equal to the excess of (x) the Principal Balance of such Discount Security over (y) the product of the acquisition price thereof (exclusive of accrued interest and expressed as a percentage of par on the date of purchase) multiplied by the Principal Balance of such Discount Security.

"Discount Security": An item of Portfolio Collateral acquired at a cost to the Issuer (exclusive of accrued interest) of: (x) if such item of Portfolio Collateral is a floating rate item of Portfolio Collateral and is publicly rated "Baa3" or higher by Moody's at the time it is acquired by the Issuer, less than 92.0% of (i) the original issue price thereof if acquired by the Issuer within the three month period following the original issuance thereof or (ii) the outstanding principal amount thereof, if not acquired within such three-month period; provided that an item of Portfolio Collateral shall cease to constitute a "Discount Security" for purposes of this clause (x) if its Market Value equals or exceeds 95.0% of the outstanding principal amount thereof for 60 consecutive days following the initial valuation date on which such percentage was equaled or exceeded; (y) if such item of Portfolio Collateral is a fixed rate Portfolio Collateral and is publicly rated "Baa3" or higher by Moody's at the time it is acquired by the Issuer, less than 85.0% of (i) the original issue price thereof if acquired by the Issuer within the three month period following the original issuance thereof or (ii) the outstanding principal amount thereof, if not acquired within such three-month period; provided that an item of Portfolio Collateral will cease to constitute a "Discount Security" for purposes of this clause (y) if its Market Value equals or exceeds 90.0% of the outstanding principal amount thereof for 60 consecutive days following the initial valuation date on which such percentage was equaled or exceeded; and (z) for any item of Portfolio Collateral not described in clauses (x) or (y), (a) less than 75% of (i) the original issue price thereof, if acquired by the Issuer within the three month period following the original issuance thereof or (ii) the outstanding principal amount thereof if not acquired within such three month period, and (b) on which the effective yield (as determined by the Collateral Manager) on the date of acquisition thereof by the Issuer is greater than the sum of (i) the relevant Benchmark Rate plus (ii) 5.00%; provided that an item of Portfolio Collateral shall cease to constitute a "Discount Security" for purposes of this clause (z) if its Market Value equals or exceeds 85.0% of the outstanding principal amount thereof for 60 consecutive days following the initial valuation date on which such percentage was equaled or exceeded.

"Distressed Ratings Downgrade": As described under "Security for the Notes–The Credit Default Swaps–Credit Events."

"DTC": The Depository Trust Company or any successor thereto.

"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 fifth day of the calendar month in which such Payment Date occurs or, if such day is not a Business Day, on the next succeeding Business Day.

"Effective Date": The earlier of (i) the date on which the Collateral Manager, on behalf of the Issuer, notifies the Trustee that the Issuer has entered into CDS Transactions and acquired items of Non-Synthetic Portfolio Collateral so that the Net Obligation Amount *plus* the Remaining Capacity (without duplication and without giving

effect to any reductions of that amount that may have resulted from scheduled principal payments or principal prepayments made with respect to any of items of Portfolio Collateral on or before the Effective Date) is equal to 100% of the Required Portfolio Collateral Amount and (ii) March 7, 2007.

"Elective Replacement": As defined in "Security for the Notes—The Total Return Swap—Elective Replacement."

"Elective Replacement Date": As defined in "Security for the Notes—The Total Return Swap—Elective Replacement."

"Eligible Investments": Any U.S. dollar denominated investment that is one or more of the following (including security entitlements thereto):

(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 or United States Security Entitlements other than obligations or security entitlements of the Federal Home Loan Mortgage Corporation; *provided, however,* that, in the case of obligations or United States Security Entitlements that are rated, each such obligation shall, at the time of its inclusion in the Trust Estate, have a credit rating of "AA-" or better or "A-1+" or better, as applicable, by S&P and "Aa3" or better (if such obligation has a long term rating) or "P-1" or better by Moody's and shall not be on credit watch (with negative implications) by Moody's;

(b) demand and time deposits in, trust accounts with, 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 the supervision and examination by federal and/or state banking authorities so long as the commercial paper and/or debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of "AA-" or better, in the case of debt obligations, or "A-1+" or better, in the case of commercial paper and time deposits (other than overnight time deposits of LaSalle Bank National Association for so long as it is the Trustee under the Indenture and has a rating of at least "A-1"), by S&P and "Aa3" or better (if such obligation has a long term rating) or "P-1" or better by Moody's and shall not be on credit watch (with negative implications) by Moody's;

(c) registered securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States of America or any state thereof that have a credit rating of "AA-" or better by S&P and "Aa3" or better (if such obligation has a long term rating) or "P-1" or better by Moody's and shall not be on credit watch (with negative implications) by Moody's at the time of such investment or 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 (including the Trustee) or entered into with a corporation (acting as principal) whose short-term debt has a credit rating of "A-1+" or better by S&P and "Aa3" or better (if such obligation has a long term rating) or "P-1" or better by Moody's 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 "AA-" or better by S&P and "Aa3" or better (if such obligation has a long term rating) by Moody's and shall not be on credit watch (with negative implications) by Moody's 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 credit rating of "A-l+" or better by S&P and "Aa3" or better (if such obligation has a long term rating) or "P-1" or better by Moody's 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 S&P, must have at the time of such investment a long-term credit rating of "AA-" or better by S&P and "Aa3" or better (if such obligation has a long term rating) by Moody's and shall not be on credit watch (with negative implications) by Moody's;

(f) off-shore money market funds, the investments of which are limited to any investments described in clauses (a) through (e) above and which funds have, at all times, the highest credit rating assigned to such investment category by S&P and Moody's; and

(g) such other Eligible Investments acceptable to the Rating Agencies;

and, in each case (other than clause (a) or clause (g)), with a Final Maturity Date (giving effect to any applicable grace period) that is not later than the Business Day immediately preceding the next Payment Date following the Due Period in which the date of investment occurs; *provided* that Eligible Investments may not include (w) any security whose repayment is subject to substantial non-credit related risk as determined in the reasonable business judgment of the Collateral Manager, (x) any interest-only security, (y) any security purchased at a price in excess of 100% of the par value thereof (as applicable), or (z) any floating rate security (other than clause (b)) the interest rate with respect to which is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index *plus* a spread or which is subject to any interest rate cap;

provided, however, that: (i) none of the foregoing investments shall constitute Eligible Investments if all, or substantially all, of the remaining amounts payable thereunder shall consist of interest and not principal payments; (ii) none of the S&P ratings required above shall have a subscript of "r", "t", "p", "pi" or "q"; (iii) none of the foregoing investments shall constitute Eligible Investments if such obligations or securities are mortgage-backed securities; (iv) no such investments may be margin stock, securities which have a mandatory or optional conversion to equity or securities which are subject to an Offer; (v) Eligible Investments with a maturity greater than one Business Day and a rating of "A-1" by S&P may only be in an amount up to 20% of the Aggregate Principal Amount of the Notes outstanding; (vi) no such investments may have coupons or other payments that are subject to U.S. withholding tax or are subject to foreign withholding under the terms of the Underlying Instruments where the issuer is not required to make "gross-up" payments sufficient to cause the net amount to be received on the debt obligations to equal the amount that would have been paid had no such withholding tax applied; (vii) any such investment purchased on the basis of S&P's short term rating of "A-1" must mature not later than thirty (30) days after the date of purchase; and (viii) the acquisition (including the manner of acquisition), ownership, enforcement or disposition of such investments may not subject the Issuer to net income tax in any jurisdiction, other than the Issuer's jurisdiction of incorporation. Eligible Investments may include those investments with respect to which the Trustee or its Affiliates provides services or receives compensation.

"Equity Portfolio Collateral": Any security (or any other right, interest or property or securities entitlement) which does not entitle the holder thereof to receive periodic payments of interest no less frequently than semiannually and one or more installments of principal, in cash and sufficient to retire in full the stated principal amount thereof on the stated maturity date therefor.

"ERISA": The United States Employee Retirement Income Security Act of 1974, as amended from time to time.

"Event of Default": The meaning specified herein under "Legal Structure—The Indenture—Events of Default."

"Excess Trading Amount": As defined in "Security for the Notes—The Total Return Swap—Hedging Amounts."

"Expense Reimbursement Account": An account maintained by the Trustee on behalf of the Issuer into which U.S.$100,000 will be deposited on the Closing Date for the purpose of paying Issuer Base Administrative Expenses which are paid between Payment Dates when they are due and payable during such time.

"Failure to Pay Principal": As described under "Security for the Notes–The Credit Default Swaps–Credit Events."

"Final Maturity Date": With respect to each Class of Notes the Payment Date occurring in April, 2047 or such earlier date on which the Aggregate Principal Amount of each Class of Notes is paid in full, including in connection with an Optional Redemption, Auction Call Redemption or Tax Redemption.

"Final Price:" With respect to any Termination Date, the highest firm price (excluding accrued interest) for the purchase of the entire outstanding principal amount of each Underlying Asset (or, in the case of a replacement Transaction, the portion of such Underlying Asset being reduced or replaced)

"Final Total Return Amount": With respect to any Termination Date, an amount, which may be positive or negative, as determined by the TRS Calculation Agent, equal to the product of (i) the Final Price *minus* the Initial Price and (ii) the outstanding principal amount as of such Termination Date, after giving effect to any payment of principal in respect of the Underlying Asset on such date (or, in the case of a partial termination, the portion thereof being terminated).

"First Auction Call Redemption Date": As defined in "Description of the Notes—Auction Call Redemption."

"First Loss Tranche Securities": The first loss tranches of any securitization.

"First Threshold": As defined in "Security for the Notes—The Total Return Swap—Hedging Amounts."

"Fitch": Fitch Ratings or any successor thereto.

"Fixed Amount": With respect to any Credit Default Swap, as defined in the applicable Confirmation.

"Fixed Rate": With respect to any CDS Transaction, as defined in the applicable Confirmation.

"Fixed Rate Counterparty Payment": The Fixed Amount payable under each CDS Transaction by a Swap Counterparty to the Issuer *minus* any related Fixed Rate Shortfall Amount.

"Fixed Rate Portfolio Collateral": An item of Non-Synthetic Portfolio Collateral that bears interest at a fixed rate.

"Fixed Rate Shortfall Amount": With respect to any Credit Default Swap, the "Interest Shortfall Amount" (as defined in the applicable Confirmation) that is netted from the Fixed Amount payable by a Swap Counterparty to the Issuer (or, with respect to any Short CDS Transaction, by the Issuer to a Swap Counterparty) upon the occurrence of any "Interest Shortfall" (as defined in the applicable Confirmation) with respect to the related Reference Obligation, such amount not to exceed the Fixed Amount, except in the case of a Credit Default Swap that is subject to a "Variable Cap," in which case the amount owed to the Swap Counterparty may equal an amount up to the Fixed Amount *plus* "LIBOR" (as defined in such Credit Default Swap) on the related Reference Obligation.

"Fixed Rate Shortfall Reimbursement Amount": With respect to any CDS Transaction, the "Interest Rate Shortfall Reimbursement Amount" as defined in the applicable Confirmation.

"Floating Balance Transaction": A Transaction entered into between the TRS Swap Counterparty and the Issuer with respect to which (x) the outstanding principal amount is an amount, on any date of determination, equal to the greater of (A) the remainder of (i) the notional amount of the Total Return Swap as of such date *minus* (ii) the sum of (I) the outstanding principal amount of all Transactions (other than the Floating Balance Transaction) entered into pursuant to the TRS Master Agreement as of such date *plus* (II) as of such date, the aggregate amount of all reductions in the outstanding principal amount of any Transactions since the Effective Date as a result of the failure to agree to replacements or increases pursuant to the Total Return Swap or the occurrence of an Optional Termination Event and (B) zero and (y) the securities in which such outstanding principal amount is invested on such date constitute the Underlying Asset.

"Form-Approved Credit Default Swap": A Credit Default Swap, the documentation of which (i) (a) conforms to a form in respect of which the Rating Condition has been satisfied for entry by the Issuer and (b) in the Collateral Manager's judgment, is deemed to be a standard market form pay-as-you-go confirmation based on a template published by ISDA, Markit Partners or CDS Indexco or (ii) is in the form of any Credit Default Swap entered into on the Closing Date (attached to the Indenture as a schedule thereto); provided, however, that upon 10 days' advance written notice, S&P may notify the Issuer that the form of the Master Agreement entered into on the Closing Date (or other subsequently approved form for which the Rating Condition has been satisfied) no longer qualifies as a "Form-Approved Credit Default Swap" for future master agreements (including the schedule and any credit support annex thereto) entered into by the Issuer with a new swap counterparty.

"Global Note": Rule 144A Global Notes, together with Regulation S Global Notes.

"Hedging Amounts": As defined in "Security for the Notes—The Total Return Swap—Hedging Amounts."

"Hedging CDS Reserve Account": As described under "Security for the Notes—Accounts."

"Hedging CDS Transaction": A credit default swap under which the Issuer buys protection from a Swap Counterparty with respect to a Reference Obligation for which it has sold protection to such Swap Counterparts pursuant to a CDS Transaction with such Swap Counterparty and (1) which has terms that are otherwise substantially identical (*mutatis mutandis*) (other than the floating rate payer calculation amounts, fixed rate payer calculation amounts and Fixed Rate) to such CDS Transaction, (2) which either is documented on a Form-Approved Credit Default Swap or satisfies the Rating Condition; and (3) the Adjusted Notional Amount of which is equal to or less than the Adjusted Notional Amount of the related CDS Transaction.

"Hedging CDS Transaction Fixed Rate": With respect to any Hedging CDS Transaction, the fixed rate amount payable under each Hedging CDS Transaction by the Issuer to the Swap Counterparty specified in each Hedging CDS Transaction.

"Hedging Short CDS Transaction": A credit default swap under which the Swap Counterparty buys protection from the Issuer with respect to a Reference Obligation for which it has sold protection to the Issuer pursuant to a Short CDS Transaction and (1) which has terms that are otherwise substantially identical to such Short CDS Transaction (other than the floating rate payer calculation amounts, fixed rate payer calculation amounts and fixed rate) (mutatis mutandis); (2) that either is documented on a Form-Approved Credit Default Swap or satisfies the Rating Condition; and (3) the Adjusted Notional Amount of which is equal to or less than the Adjusted Notional Amount of the related Short CDS Transaction.

"High-Grade ABS CDO Securities": As defined in Annex B attached hereto.

"Highest Bidder": With respect to any Termination Date, the party that provides the highest firm bid.

"Holder" or "Noteholder": The Person in whose name a Note or Class P1 Combination Note is registered in the Note Register, including any Class A-1LA Noteholder, as set forth in the Class A-1LA Revolving Note Purchase Agreement with respect to a Class A-1LA Noteholder.

"Indenture": The Indenture, to be dated as of Decembet 7, 2006, among the Issuer, the Co-Issuer and LaSalle Bank National Association, as trustee and as securities intermediary, pursuant to which the Notes will be issued, as it may be amended or supplemented from time to time.

"Initial CDS Aggregate Notional Amount": U.S.$840,000,000.

"Initial CDS Transactions": The CDS Transactions included in the Initial Portfolio Collateral.

"Initial Deposit Account": An account maintained by the Trustee on behalf of the Issuer into which the cash constituting the Deposit will be deposited on the Closing Date pending investment in additional Non-Synthetic Portfolio Collateral.

"Initial Non-Synthetic Collateral Amount": U.S.$60,000,000.

"Initial Non-Synthetic Portfolio Collateral": The Non-Synthetic Portfolio Collateral included in the Initial Portfolio Collateral.

"Initial Portfolio Collateral": The Portfolio Collateral that will be purchased or entered into on or before the Closing Date or identified by the Issuer and for which commitments will be entered into on or prior to the Closing Date for purchase on or as soon as practicable after (not scheduled to exceed thirty (30) days after) the Closing Date with the net proceeds from the sale of the Notes and the net proceeds from the sale of the Preference Shares on the Closing Date, which Initial Portfolio Collateral is set forth in the Indenture.

"Initial Portfolio Collateral Amount": U.S.$900,000,000 (or such larger Aggregate Principal Amount and Aggregate Notional Amount of Portfolio Collateral as may be purchased on or before the Closing Date by the Issuer).

"Initial Price": As specified in the related TRS Confirmation.

"Initial Purchaser": Greenwich Capital Markets, Inc.

"Initial Underlying Assets": The Underlying Assets set forth in a schedule to the Indenture.

"Internal Rate of Return": With respect to any Payment Date, the corporate bond equivalent discount rate at which the sum of the discounted values of the following cashflows is equal to zero, assuming discounting on a bond equivalent yield basis as of each Payment Date: (1) the Preference Shares Notional Amount (which amount will be deemed to be negative for purposes of this calculation), (2) each distribution of Collateral Interest Collections made to the holders of the Preference Shares on any prior Payment Date and, to the extent necessary to reach the applicable Internal Rate of Return, such Payment Date and (3) each distribution from the Principal Account made to the holders of the Preference Shares on any prior Payment Date and, to the extent necessary to reach the applicable Internal Rate of Return, such Payment Date.

"Interest Shortfall": As described under "Security for the Notes—The CDS Transaction—Credit Events."

"Intraperiod Collateral Excess": As defined in "Security for the Notes—The Total Return Swap."

"Investment Company Act": The United States Investment Company Act of 1940, as amended from time to time.

"Issuer": Webster CDO I, Ltd., an exempted company incorporated under the laws of the Cayman Islands.

"Issuer Base Administrative Expenses": With respect to any Payment Date, the administrative expenses (including indemnities) paid or payable by the Issuer during the applicable Due Period, in the following order: (i) *pro rata*, taxes of the Co-Issuers, surveillance fees, shadow rating fees and credit estimate fees, if any, of the Rating Agencies (including with respect to both the Notes and, solely with respect to the transactions contemplated by the Indenture, any item of the Portfolio Collateral); fees due to any Listing and Paying Agent; fees due to any stock exchange on which any Class of the Notes or the Preference Shares are listed; governmental fees, registered office fees and any other fees which are deemed necessary by the Collateral Manager for administration of the Trust Estate, and (ii) *pro rata* reimbursement of expenses (including indemnities) of the Trustee, the Collateral Administrator and the Paying and Transfer Agent pursuant to the Indenture, the Collateral Administration Agreement, the Class A-1LA Revolving Note Purchase Agreement and the Paying and Transfer Agency Agreement, respectively, and reimbursement of expenses (including indemnities) of the Collateral Manager required to be paid pursuant to the Collateral Management Agreement; and all expenses, fees and indemnities of the Administrator, the Listing and Paying Agent, the Securities Intermediary (if not the same person as the Trustee), the accountants and any fiscal agent retained in connection with the issuance of income notes, if any, in which the primary collateral for such income notes are obligations of the Issuer and all other administrative expenses of the Co-Issuers, each as determined as of the Calculation Date relating to such Payment Date and as set forth in the related Note Valuation Report.

"Issuer Excess Administrative Expenses": With respect to any Payment Date, in the following order of priority, (i) the administrative expenses paid or payable by the Trustee, Collateral Administrator and Paying and Transfer Agent during the applicable Due Period in excess of the amount paid pursuant to clause (A) under "Distributions from the Payment Account—Adjusted Collateral Interest Collections", for the corresponding period, (ii) the administrative expenses paid or payable by the Trustee, Collateral Administrator and Paying and Transfer Agent during the applicable Due Period in excess of the amount of the Issuer Base Administrative Expenses paid pursuant to clause (B) under "Distributions from the Payment Account—Adjusted Collateral Interest Collections", and (iii) the administrative expenses paid or payable by the Issuer during the applicable Due Period, as determined as of the Calculation Date relating to such Payment Date and as set forth in the related Note Valuation Report, in excess of the amount of the Issuer Base Administrative Expenses for the corresponding period.

"Issuer Senior Termination Payment": With respect to any Credit Default Swap, any termination payment payable by the Issuer pursuant to such Credit Default Swap other than as a result of (i) an "Event of Default" (as defined in the related Master Agreement) with respect to which the Swap Counterparty is the "Defaulting Party" or (ii) a "Termination Event" (other than a "Tax Event" or "Illegality") (each as defined in the related Master Agreement) with respect to which the Swap Counterparty is the sole "Affected Party" (as defined in the Master Agreement).

"Issuer Swap Payments": Any Trading Loss Payments, Physical Settlement Amounts, Principal Shortfall Amounts, Writedown Amounts, LIBOR Breakage Amounts or Hedging Amounts made by the Issuer.

"LIBOR": For any Periodic Interest Accrual Period, the London interbank offered rate for three-month (or, for the period from the Closing Date to the first Payment Date, as described herein) U.S. dollar deposits as determined by the Calculation Agent as described under "Description of the Notes—Payments on the Notes; Priority of Distributions" herein.

"LIBOR Breakage Amounts": As defined in "Security for the Notes—The Total Return Swap—Replacement of Transactions Upon Occurrence of a Collateral Excess."

"LIBOR Determination Date": The second London Business Day prior to the commencement of a Periodic Interest Accrual Period.

"Listing and Paying Agent": The listing and paying agent appointed by the Issuer, if any.

"London Business Day": Any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

"MAC Factor": The "MAC Factor" is a single number that is determined in accordance with the correlation methodology provided to the Collateral Manager by Moody's; *provided* that the variable N in the correlation methodology is 100.

"MAC Test": As defined under "Security for the Notes— Changes in Composition of Portfolio Collateral."

"Majority Class A-1LA Noteholders": As defined in the Class A-1LA Revolving Note Purchase Agreement.

"Majority Noteholders": With respect to the Notes, the Holders of more than 50% of the Aggregate Principal Amount of the Outstanding Notes, voting as a single class.

"Majority Preference Shareholders": The holders of more than 50% of the outstanding Preference Shares.

"Market Value": With respect to any item of Portfolio Collateral on any date of determination and as determined by the Collateral Manager (A) the average of the bid prices provided by at least three independent broker-dealers active in the trading of such item of Portfolio Collateral as provided to the Collateral Manager; (B) if only two determinations of such broker-dealers are made available, then the lower of the bid prices provided by such broker-dealers to the Collateral Manager; (C) if a pricing determination under the foregoing clauses (A) and (B) is unavailable, then the price determined by an independent pricing service selected by the Collateral Manager; or (D) if no determination of a broker-dealer is made available, then the bid side market value of such Portfolio Collateral

as certified by the Collateral Manager to the Trustee and determined by the Collateral Manager consistent with its customary practices (provided, however that if the Market Value of any item of Portfolio Collateral is determined pursuant to this clause (D) for 30 consecutive days, thereafter the Market Value of such item of Portfolio Collateral shall be deemed to be zero until such time as the Market Value is determined pursuant to clause (A), (B) or (C) above).

"Master Agreement": The 1992 ISDA Master Agreement (Multicurrency-Cross Border), dated as of the Closing Date between the Issuer and a Swap Counterparty (including the schedule and any credit support annex thereto).

"Maximum CDS Amount": An amount equal to the sum of the Principal Account Amount and the Class A-1LA Unfunded Commitment.

"Maximum TRS Notional Amount": U.S.$450,000,000.00.

"Minimum Prepayment Amount": An amount equal to at least U.S.$250,000 and in integral multiples of U.S.$1 in excess thereof unless the Class A-1LA Funded Amount prior to such prepayment was less than U.S.$250,000, in which case the Minimum Prepayment Amount shall be equal to such Class A-1LA Funded Amount.

"MLI": Merrill Lynch International.

"MLI Floating Amount Calculation Period": From and including one Payment Date to but excluding the following Payment Date; *provided* that the first MLI Floating Amount Calculation Period shall commence on (and include) the Closing Date and the last MLI Floating Amount Calculation Period shall end on (and exclude) the Termination Date.

"MLI Payment Date": One Business Day prior to each Payment Date.

"Moody's": Moody's Investors Service, Inc. or any successor thereto.

"Moody's Rating": The rating determined in accordance with the methodology described in the Indenture.

"Moody's Swap Counterparty Criteria": The criteria set forth in the Master Agreement.

"Negative Amortization Capitalization Amount": With respect to any Negative Amortization Security and any specified period of time, the aggregate amount of accrued interest on such Negative Amortization Security that has been capitalized as principal pursuant to the related Underlying Instruments during such period, as the same may be reduced from time to time pursuant to and in accordance with the related Underlying Instruments.

"Negative Amortization Haircut Amount": With respect to any Negative Amortization Security on any date of determination, the excess (if any) of (a) the Negative Amortization Capitalization Amount therefor (if any) for the period from and including the date of issuance thereof to but excluding such date of determination over (b) 5% of the original principal amount of such Negative Amortization Security upon issuance.

"Negative Amortization Security": Any Prime RMBS Security the underlying collateral of which is a pool of residential mortgage loans of which 50% or more of such residential mortgage loans permit negative amortization.

"Negative Voting Notice": As defined in "Security for the Notes—The Total Return Swap—Voting Rights."

"Net Aggregate Adjusted Notional Amount": As of any date of determination, the Aggregate Adjusted Notional Amount of all CDS Transactions as of such date *minus* the aggregate Adjusted Notional Amount of all Hedging CDS Transactions as of such date, or with respect to less than all of the CDS Transactions, the aggregate Adjusted Notional Amount of such CDS Transactions as of such date *minus* the aggregate Adjusted Notional Amount of the related Hedging CDS Transactions as of such date.

"Net Obligation Amount": With respect to all or a portion of the Portfolio, the sum of, without duplication, the (i) Net Aggregate Adjusted Notional Amount of the related Reference Obligations, (ii) Aggregate Principal Amount of the related Delivered Obligations, (iii) Aggregate Principal Amount of items of Non-Synthetic Portfolio Collateral and (iv) principal collections and disposition proceeds in the Principal Account received in connection with Delivered Obligations and items of Non-Synthetic Portfolio Collateral.

"Non-Synthetic Adjusted Principal Amount": The Aggregate Principal Amount of all Non-Synthetic Portfolio Collateral (other than any Non-Synthetic Portfolio Collateral which satisfies the definition of Defaulted Non-Synthetic Portfolio Collateral or constitutes a Deferred Interest PIK Bond), minus the aggregate Principal Haircut Amount for all Non-Synthetic Portfolio Collateral (other than any Non-Synthetic Portfolio Collateral which satisfies the definition of Defaulted Non-Synthetic Portfolio Collateral or constitutes a Deferred Interest PIK Bond) plus the Adjusted Principal Amount of all Defaulted Non-Synthetic Portfolio Collateral and items of Non-Synthetic Portfolio Collateral which constitute Deferred Interest PIK Bonds.

"Non-Synthetic Portfolio Collateral": Items of Asset-Backed Securities in the Portfolio Collateral other than Delivered Obligations and Reference Obligations.

"Note Collection Accounts": As described under "Security for the Notes–The Accounts."

"Note Valuation Report": With respect to each Payment Date, the report prepared by or on behalf of the Issuer in accordance with the Indenture reflecting, among other things, the amounts received during the applicable Due Period and the distributions to be made on such Payment Date.

"Notes": The Class A-1LA Revolving Notes, the Class A-1LB Notes, the Class A-2L Notes, the Class A-3L Notes, the Class A-4L Notes, the Class B-1L Notes, the Class B-2L Notes, the Class B-3L Notes and the Class P1 Combination Notes.

"Notional Amount": With respect to each Credit Default Swap, the notional amount specified therein. With respect to each Reference Obligation, the notional amount specified in the related Credit Default Swap. With respect to the Preference Shares, U.S.$43,000,000.

"Obligation": Any Reference Obligation, item of Non-Synthetic Portfolio Collateral or Delivered Obligation.

"Offer": With respect to any security, (a) any offer by the issuer of such security or by any other Person made to all of the holders of such class of security to purchase or otherwise acquire all such securities (other than pursuant to any redemption in accordance with the terms of the related Underlying Instruments) or to exchange such securities for any other security or other property or (b) any solicitation by the issuer of such security or any other Person to amend, modify or waive any provision of such security or any related Underlying Instrument.

"One Year Period": As defined in "Security for the Notes—The Total Return Swap—Hedging Amounts."

"Optional Redemption": The redemption of the Notes, in whole but not in part, at the option of the Issuer on any Optional Redemption Date.

"Optional Redemption Date": The Payment Date fixed by the Issuer for an Optional Redemption which shall be no earlier than the Payment Date occurring in January 2011.

"Optional Redemption Price": The sum of (1) with respect to each Class of Notes, other than the Class A-1LA Revolving Notes, an amount equal to the aggregate of (i) the Aggregate Principal Amount of such Class of Notes as of the Optional Redemption Date and (ii) the applicable Cumulative Interest Amount of such Class of Notes as of the Optional Redemption Date and (2) with respect to the Class A-1LA Revolving Notes, the Aggregate Principal Amount of the Class A-1LA Funded Note (and a reduction of the Class A-1LA Unfunded Commitment to zero), together with the Class A-1LA Unfunded Interest Amount and the Class A-1LA Funded Interest Amount due on the Optional Redemption Date.

"Optional Termination Events": As defined in "Security for the Notes—The Total Return Swap—Optional Termination."

"Original Portfolio Collateral": The Initial Portfolio Collateral together with items of additional Portfolio Collateral that will be purchased or entered into after the Closing Date and on or before the Effective Date or identified by the Issuer and for which commitments will be entered into on or prior to the Effective Date for purchase on or after the Effective Date.

"Outstanding": With respect to the Preference Shares, as of the date of determination and subject to the proviso below, "Outstanding" refers to all Preference Shares issued and indicated in the Share Register as 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 canceled by the Note Registrar or delivered (or to be delivered pursuant to the Indenture) to the Note Registrar for cancellation;

(ii) Notes or portions thereof for whose payment or redemption 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; and

(iv) Notes alleged to have been mutilated, 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 have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Notes owned by or pledged to the Issuer, the Trustee or any other obligor upon the Notes or any Affiliate of the Issuer, the Trustee or of such other obligor, and solely for purposes of removal of the Collateral Manager (but not the appointment of a successor Collateral Manager), the Collateral Manager and any Affiliate thereof and any accounts for which the Collateral Manager or its Affiliates exercises discretion, shall be disregarded and deemed not to be Outstanding, except that (i) in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that a responsible officer of the Trustee has actual knowledge to be so owned or pledged shall be so disregarded and (ii) with respect to any Preference Shares held by an Affiliate of the Collateral Manager, such Preference Shares may be voted with respect to the removal of the Collateral Manager by a majority of the independent directors of such Affiliate, determined in accordance with the governance documents of such Affiliate.

"Paying Agent": The Trustee, the Listing and Paying Agent or any other depository institution or trust company authorized by the Co-Issuers pursuant to the Indenture to pay principal of or any interest that may become payable on any Class of Notes on behalf of the Co-Issuers.

"Paying and Transfer Agency Agreement": The Paying and Transfer Agency Agreement dated as of December 7, 2006 relating to the Preference Shares.

"Paying and Transfer Agent": LaSalle Bank National Association, as Paying and Transfer Agent with respect to the Preference Shares.

"Payment Account": As described under "Security for the Notes–The Accounts."

"Payment Date": The 13th of January, April, July and October of each year, commencing on April 13, 2007 (or if any such date is not a Business Day, the next succeeding Business Day).

"Payment Date Collateral Excess": As defined in "Security for the Notes—The Total Return Swap."

"Periodic Interest": With respect to each Class of Notes, interest on such Class payable on each Payment Date and accruing during each Periodic Interest Accrual Period at the Applicable Periodic Rate.

"Periodic Interest Accrual Period": With respect to any Payment Date, the period commencing on the prior Payment Date (or the Closing Date in the case of the first Payment Date) and ending on the day preceding such Payment Date.

"Periodic Interest Amount": With respect to any Class of Notes and any Payment Date, the aggregate amount of interest accrued at the Applicable Periodic Rate during the related Periodic Interest Accrual Period on the Aggregate Principal Amount of such Class of Notes on the first day of such Periodic Interest Accrual Period (after giving effect to any payment of principal of such Class of Notes on such day).

"Periodic Rate Shortfall Amount": With respect to each Class of Notes (other than the Class A-1LA Revolving Notes) and any Payment Date, any shortfall or shortfalls in the payment of the Periodic Interest Amount on such Class of Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon at the Applicable Periodic Rate (net of all Periodic Rate Shortfall Amounts, if any, paid with respect to such Class of Notes prior to such Payment Date). With respect to the Class A-1LA Revolving Notes and any Payment Date, any Class A-1LA Funded Interest Shortfall Amount *plus* any Class A-1LA Unfunded Interest Shortfall Amount.

"Permanent Regulation S Global Note": With respect to any Class, the permanent global note issued to non-U.S. Persons in exchange for the Temporary Regulation S Global Note of such Class after the Distribution Compliance Period.

"Permitted Withdrawal Amount": An amount specified in a Permitted Withdrawal Notice.

"Permitted Withdrawal Notice": Any notice delivered by the Issuer to the TRS Swap Counterparty with a request to reduce the Required TRS Notional Amount by the Permitted Withdrawal Amount; *provided, however*, that if any Permitted Withdrawal Amount, after giving effect to a reduction in the outstanding principal amount of any Transaction pursuant to Section 3(b)(y) of the Total Return Swap, would cause the Issuer to pay any Hedging Amount or LIBOR Breakage Amount, prior to giving effect to such Permitted Withdrawal Notice and Permitted Withdrawal Amount in the definition of Required TRS Notional Amount, the TRS Swap Counterparty shall inform the Issuer the estimated Hedging Amount or LIBOR Breakage Amount, as applicable, and the Issuer shall have the right to revoke delivery of such Permitted Withdrawal Notice under the Total Return Swap.

"Permitted Withdrawal Notice Effective Date": The date specified in the related Permitted Withdrawal Notice which is at least five Business Days after such notice is received by the TRS Swap Counterparty from the Issuer (or at least three Business Days after such notice is received by the TRS Swap Counterparty from the Issuer if such change is due to a Credit Event (as defined in the related CDS Transaction) or a Floating Amount Event (as defined in the related CDS Transaction) under a CDS Transaction).

"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.

"PIK Bond": Any item of Portfolio Collateral that, pursuant to the terms of the related Underlying Instruments, permits the payment of interest thereon to be deferred and capitalized or otherwise provides that interest will accrue on such deferred interest or that issues identical securities in place of payments of interest in cash, either (a) without the consent of the holder or holders thereof or (b) at the option of the holders of securities secured by the same collateral pool but on a senior basis following a default or event of default with respect to such senior securities.

"Physical Settlement Amount": In connection with the delivery of a Reference Obligation to the Issuer by a Swap Counterparty under a CDS Transaction as a result of a Credit Event, an amount payable by the Issuer to the Swap Counterparty equal to: (a) the product of the Exercise Amount and the Reference Price; *minus* (b) the product of (A) the aggregate of all Writedown Amounts in respect of Writedowns within paragraph (i)(B) of the definition of "Writedown" minus the Aggregate of all Writedown Reimbursement Amounts in respect of Writedown Reimbursements within paragraph (ii)(B) of the definition of "Writedown Reimbursement" and (B) the relevant

Exercise Percentage; provided that if the Physical Settlement Amount would exceed the product of: (1) the Reference Obligation Notional Amount as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full; and (2) the Exercise Percentage; then the Physical Settlement Amount shall be deemed to be equal to such product (as such terms are defined in the related Confirmation).

"Portfolio Collateral": The Credit Default Swaps, the Non-Synthetic Portfolio Collateral and the Delivered Obligations. As the context may require, references to "Portfolio Collateral" herein shall mean, with respect to any Credit Default Swap, the Reference Obligation specified therein.

"Positive Voting Notice": As defined in "Security for the Notes—The Total Return Swap—Voting Rights."

"Preference Shares Auction Call Redemption Price": As defined in "Description of the Notes—Auction Call Redemption."

"Preference Shares Stated Amount": U.S.$43,000,000.

"Preference Shares": The 43,000,000 Preference Shares of the Issuer, par value U.S.$0.001 per share, issued pursuant to the Issuer's Memorandum of Association and Articles of Association and certain resolutions of the Board of Directors of the Issuer.

"Preference Shares Administrative Expenses": With respect to any Payment Date (including without limitation the Final Maturity Date), the Paying and Transfer Agent's administrative expenses incurred under the Paying and Transfer Agency Agreement for the Due Period relating to such Payment Date.

"Preference Shares Notional Amount": With respect to the Preference Shares, U.S.$43,000,000.

"Principal Account": As described under "Security for the Notes—The Accounts."

"Principal Account Amount": The Balance of Eligible Investments and Underlying Assets in the Principal Account (or any sub-account thereof), including, but not limited to, principal collections and disposition proceeds received in connection with items of Non-Synthetic Portfolio Collateral, Underlying Assets or Delivered Obligations and any amounts transferred from the Initial Deposit Account.

"Principal Balance": With respect to any item of Portfolio Collateral or any Underlying Asset, as of any date of determination, the outstanding principal amount of such item of Portfolio Collateral or Underlying Asset; *provided* that, with respect to any item of Equity Portfolio Collateral, the "Principal Balance" shall equal zero.

"Principal Haircut Amount": With respect to any item of Portfolio Collateral, the greatest of:

(1) (a) if such item of Portfolio Collateral has a rating within the B Rating Category or the CCC Rating Category, the product of (i) the applicable Principal Haircut Percentage times (ii) the Net Aggregate Adjusted Notional Amount (in the case of a CDS Transaction) or the Aggregate Principal Amount (in the case of a Non-Synthetic Portfolio Collateral or a Delivered Obligation); or

(b) if such item of Portfolio Collateral has a rating within the BB Rating Category, the product of (i) the applicable Principal Haircut Percentage times (ii) the excess, if any, of (x) the Net Aggregate Adjusted Notional Amount (in the case of a CDS Transaction) or the Aggregate Principal Amount (in the case of a Non-Synthetic Portfolio Collateral or a Delivered Obligation), over (y) 3% (for purposes of calculating the Sequential Pay Test), 10% (for purposes of calculating the Adjusted Net Obligation Amount) or 8% (for any purpose other than calculating the Sequential Pay Test or the Adjusted Net Obligation Amount) of the Maximum CDS Amount plus the Aggregate Principal Amount of all Non-Synthetic Portfolio Collateral and Delivered Obligations which are not Defaulted Delivered Obligations;

(2) with respect to any item of Portfolio Collateral which is a Discount Security, the Discount Haircut Amount; and

(3) with respect to any item of Portfolio Collateral which is a Negative Amortization Security, the Negative Amortization Haircut Amount;

provided, that the Principal Haircut Amount shall at all times be calculated in the manner set forth above that results in the largest discount to the Adjusted Notional Amount or Aggregate Principal Amount of the related item of Portfolio Collateral.

"Principal Haircut Percentage": With respect to any item of Portfolio Collateral with a rating falling within (x)(i) the B Rating Category (for purposes of calculating the Sequential Pay Test), 30% or (ii) the B Rating Category (for any purpose other than calculating the Sequential Pay Test), 20%, (y) the BB Rating Category, 10% and (z) the CCC Rating Category, 50%.

"Principal Shortfall Amount": With respect to any CDS Transaction, as defined in the applicable Confirmation.

"Principal Shortfall Reimbursement Payment Amount": Any amount paid with respect to a Reference Obligation in satisfaction of any Principal Shortfall Amount, such amount not to exceed any Principal Shortfall Amount previously paid by the Issuer relating to such Reference Obligation.

"Proposed Plan": A reasonable plan proposed by the Collateral Manager, on behalf of the Issuer, to the Rating Agencies on or after the Effective Date, to obtain a Rating Confirmation. The terms and conditions of any Proposed Plan proposed by the Collateral Manager, on behalf of the Issuer, and in respect of which the Rating Agencies have provided their related Rating Confirmation, as described above, are required to be set forth in a supplemental indenture.

"Pro Rata Share": With respect to any Holder of the Class A-1LA Revolving Note at any time, the ratio (expressed as a percentage) equal to (a) the Class A-1LA Unfunded Commitment represented by the Class A-1LA Revolving Note held by such Holder at such time to (b) the outstanding Class A-1LA Unfunded Commitment at such time, as set forth in the Class A-1LA Revolving Note Purchase Agreement.

"Prospectus Directive": Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when the securities are offered to the public or admitted to trading.

"Public Securities": Any Reference Obligation the public resale of which by the Issuer either has been registered under the Securities Act or is exempt from such registration pursuant to Section 4(l) thereof or Rule 144(k) under the Securities Act.

"Purchased Accrued Interest": Interest accrued on or purchased with respect to an item of Non-Synthetic Portfolio Collateral as part of the price paid by the Issuer to acquire such item of Non-Synthetic Portfolio Collateral less any amount of Collateral Interest Collections applied by the Issuer to acquire such accrued interest at the time of purchase.

"Purchase Agreement": The Purchase Agreement, dated the Closing Date, between the Issuer and the purchaser of the Notes identified therein.

"Qualified Institutional Buyer": A "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act.

"Qualified Purchaser": A "qualified purchaser" as defined in Section 3(c)(7) of the Investment Company Act and the rules promulgated thereunder.

"Qualifying CDS Transferee": Any swap counterparty that (i) is an active dealer in the market for transactions of a similar nature as the Credit Default Swap being transferred, (ii) has a long-term credit rating greater than or equal to the lesser of (a) "A-" by S&P and "A3" by Moody's and (b) the long-term credit rating of the Swap

Counterparty by S&P and Moody's immediately prior to such transfer and (iii) has executed a Credit Support Annex (or has other credit terms existing) with the Swap Counterparty and such transferred CDS Transaction shall be subject to such Credit Support Annex or other credit terms.

"Qualifying Swap Counterparty": Any swap counterparty or guarantor of its obligations that meets the S&P Swap Counterparty Criteria and the Moody's Swap Counterparty Criteria; *provided*, that if there is more than one Swap Counterparty, the Issuer must receive confirmation from each Rating Agency that with respect to each such Swap Counterparty, the Rating Condition is satisfied.

"Quarterly Collateral Amount": Shall mean, with respect to any Due Period, the Net Obligation Amount on the first day of such Due Period; *provided* that, with respect to the first Payment Date, the Quarterly Collateral Amount shall mean the Required Portfolio Collateral Amount.

"Rated" or "Rating": Shall mean the rating assigned, derived or implied by reference to the published criteria of the respective Rating Agency.

"Rated Balance": With respect to the Class P1 Combination Notes, initially U.S. $10,000,000, reduced by all payments on account of the Rated Balance of the Class P1 Combination Notes, as described herein.

"Rating Agencies": Each of S&P and Moody's.

"Rating Condition": With respect to any Rating Agency and any action proposed to be taken under the Indenture, a condition that is satisfied when such Rating Agency has confirmed in writing to the Issuer, the Trustee and the Collateral Manager that no withdrawal, reduction or suspension (and not restored) with respect to any then current rating, if any, by such Rating Agency (including any private or confidential rating) of any Class of Notes will occur as a result of such proposed action.

"Rating Confirmation": Written confirmation from each of the Rating Agencies that it has not reduced or withdrawn (and not restored) the rating assigned by it on the Closing Date to any Class of Notes.

"Rating Confirmation Failure": A failure to obtain Rating Confirmation by the 35th Business Day after the Effective Date (or if such day is not a Business Day, the succeeding Business Day).

"Ratings Event": As defined in "Security for the Notes—The Total Return Swap—Replacement of Transactions Upon Occurrence of a Ratings Event."

"Ratings Event Replacement": As defined in "Security for the Notes—The Total Return Swap—Replacement of Transactions Upon Occurrence of a Ratings Event."

"Ratings Event Replacement Date": As defined in "Security for the Notes—The Total Return Swap—Replacement of Transactions Upon Occurrence of a Ratings Event."

"Record Date": With respect to any Payment Date, the Business Day immediately preceding such Payment Date; *provided however*, if any Definitive Notes are issued, the Record Date for such Definitive Notes shall be the fifteenth day preceding such Payment Date.

"Reference Entities": With respect to any Credit Default Swap, the entity (which term shall include any successor thereof) to which the Issuer has credit exposure under such Credit Default Swap.

"Reference Obligation": Any reference obligation referenced in the Credit Default Swaps.

"Reference Obligation Adjustment Amount": The sum of (a) the excess of (i) Net Aggregate Adjusted Notional Amount of all CDS Transactions which reference Defaulted Portfolio Collateral or Deferred Interest PIK Bonds over (ii) the Adjusted Principal Amount of all CDS Transactions which reference Defaulted Portfolio Collateral or Deferred Interest PIK Bonds plus (b) the Principal Haircut Amount for all CDS Transactions which reference Reference Obligations other than Defaulted Portfolio Collateral or Deferred Interest PIK Bonds.

"Reference Pool": The collective Reference Obligations included in the CDS Transactions.

"Reference Price": The reference price specified in a CDS Transaction, Hedging CDS Transaction, Short CDS Transaction or Hedging Short CDS Transaction.

"Registered": When used with respect to any Eligible Investment, Underlying Asset or item of Non-Synthetic Portfolio Collateral, an instrument issued after July 18, 1984, that is in registered form for purposes of the Code, provided that a certificate of interest in a grantor trust for U.S. Federal income tax purposes shall not be treated as Registered unless each of the obligations or securities held by the trust was issued after that date.

"Registrar": The Trustee.

"Regulation S Global Note": Temporary Regulation S Global Notes, together with the Permanent Regulation S Global Notes.

"Reinvestment Income": Any interest or other earnings on funds in the Collection Account, the Initial Deposit Account, the Principal Account (excluding the UA Collateral Sub-Account) but including interest earnings from amounts on deposit in the UA Collateral Sub-Account in excess of the Maximum TRS Notional Amount) or the Expense Reimbursement Account.

"Relevant Date": The date on which the final payment in respect of the Notes first becomes due, except that if the full amount of the monies payable has not been duly received by the Paying Agent on or prior to such due date, it means the date on which such monies have been so received.

"Remaining Capacity": As of any date of determination, the Deposit *plus* the Maximum CDS Amount *minus* the Net Aggregate Adjusted Notional Amount of all CDS Transactions.

"Replacement": As defined in "Security for the Notes—The Total Return Swap—Replacement Procedures."

"Replacement Date": As defined in "Security for the Notes—The Total Return Swap—Replacement Procedures."

"Required Portfolio Collateral Amount": U.S.$1,000,000,000.

"Required TRS Notional Amount": An amount as determined on any date equal to the Current Period CDS Notional Amount, *less* the sum of (i) the Class A-1LA Unfunded Commitment as of the first day of the current Due Period, (ii) the sum of all Permitted Withdrawal Amounts specified in each Permitted Withdrawal Notice as of the Permitted Withdrawal Notice Effective Date from (and excluding) the first date of the Due Period immediately prior to the MLI Floating Amount Calculation Period to and including any date of determination (which, for the avoidance of doubt, shall not include reductions pursuant to clause (iii) or (iv) below), (iii) the aggregate amount of all reductions in the outstanding principal amount of any Transactions from the Effective Date to (and including) such day of calculation as a result of a failure to agree to replacements pursuant to the Total Return Swap, each as effective on the date such failure to agree to replacements occurred and (iv) the aggregate amount of all reductions in the outstanding principal amount of any Transactions from the Effective Date to (and including) such day of calculation as a result of Optional Termination Events, each on the date that such Optional Termination Event becomes effective.

"Requisite Noteholders": The Holders of at least 66-2/3% of the Aggregate Principal Amount of the Outstanding Notes (voting as a single class and including the Class P1 Combination Notes to the extent of the Class A-3L Component and the Class B-3L Component, as the case may be); *provided* that following the occurrence of a Default or an Event of Default under the Indenture: (1) for so long as any Class A-1LA Revolving Notes are Outstanding, "Requisite Noteholders" shall mean the Holders of at least 66-2/3% of the Aggregate Principal Amount of the Class A-1LA Revolving Notes, (2) when the Class A-1LA Funded Notes are paid in full and the Class A-1LA Unfunded Commitment has been reduced to zero, for so long as any Class A-1LB Notes and any Class A-2L Notes are Outstanding, "Requisite Noteholders" shall mean the Holders of at least 66-2/3% of the Aggregate Principal

Amount of each of the Outstanding Class A-1LB Notes and the Class A-2L Notes (if Outstanding), voting together as a single class, (3) when the Class A-1LA Funded Notes, the Class A-1LB Notes and the Class A-2L Notes are paid in full and the Class A-1LA Unfunded Commitment has been reduced to zero, "Requisite Noteholders" shall mean the Holders of at least 66-2/3% of the Aggregate Principal Amount of the Class A-3L Notes (if Outstanding), voting together as a single class, (4) when the Class A-1LA Funded Notes, the Class A-1LB Notes, the Class A-2L Notes and the Class A-3L Notes are paid in full and the Class A-1LA Unfunded Commitment has been reduced to zero, "Requisite Noteholders" shall mean the Holders of at least 66-2/3% of the Aggregate Principal Amount of the Class A-4L Notes (if Outstanding), voting together as a single class, (5) when the Class A Notes are paid in full and the Class A-1LA Unfunded Commitment has been reduced to zero, "Requisite Noteholders" shall mean the Holders of at least 66-2/3% of the Aggregate Principal Amount of the Class B-1L Notes (if Outstanding), (6) when the Class A Notes and the Class B-1L Notes are paid in full and the Class A-1LA Unfunded Commitment has been reduced to zero, "Requisite Noteholders" shall mean the Holders of at least 66-2/3% of the Aggregate Principal Amount of the Class B-2L Notes (if Outstanding) and (7) when the Class A Notes, the Class B-1L Notes and the Class B-2L Notes are paid in full and the Class A-1LA Unfunded Commitment has been reduced to zero, "Requisite Noteholders" shall mean the Holders of at least 66-2/3% of the Aggregate Principal Amount of the Class B-3L Notes (if Outstanding). If the Person that is acting as Trustee under the Indenture is a Holder of any Note for its own account, such Person shall be excluded as a Holder for purposes of this definition in connection with the consent or approval by Noteholders of any supplemental indenture affecting the provisions thereof relating to the Trustee.

"Revolving Period": The period beginning on the Closing Date and ending on the earliest of (i) the January 2011 Payment Date; (ii) the occurrence and continuance of an Event of Default or (iii) the failure of the Sequential Pay Test.

"Rule 144A Global Note": With respect to any Class, the permanent global note issued to U.S. Persons.

"S&P": Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or any successor thereto.

"S&P CDO Monitor": As defined under "Security for the Notes—Changes in Composition of Portfolio Collateral."

"S&P Rating": The rating determined in accordance with the methodology described in the Indenture.

"S&P Swap Counterparty Criteria": The criteria set forth in the Master Agreement.

"Scheduled Termination Date": With respect to any Credit Default Swap, the termination date of such Credit Default Swap as set forth therein, which will be no later than the latest legal final maturity of a Reference Obligation thereunder.

"Second Threshold": As defined in "Security for the Notes—The Total Return Swap—Hedging Amounts."

"Securities Act": The United States Securities Act of 1933, as amended.

"Senior Prepaid Swap": Transactions represented by the Senior Prepaid Swap Agreements.

"Senior Prepaid Swap Agreements": Collectively, each of the two swap agreements, between the Issuer and The Bank of New York, dated the Closing Date, covering (i) the payment of a fixed amount equal to U.S.$12,500,000 by the Senior Prepaid Swap Counterparty to the Issuer on the Closing Date and, if three-month LIBOR for the related calculation period is less than 1.955%, the payment on each Payment Date by the Senior Prepaid Swap Counterparty to the Issuer of a fixed amount on the Senior Prepaid Swap Hedge Notional Amount at a rate equal to 1.955% minus three-month LIBOR, and the payment by the Issuer to the Senior Prepaid Swap Counterparty of a floating amount in respect of the Senior Prepaid Swap Notional Amount, and (ii) the payment by the Issuer of a fixed amount to the Senior Prepaid Swap Counterparty and the payment by the Senior Prepaid Swap Counterparty of a floating amount to the Issuer, respectively, in each case, in respect of the Senior Prepaid Swap Hedge Notional Amount.

"Senior Prepaid Swap Counterparty": The Bank of New York, in its capacity as counterparty to the Issuer under the Senior Prepaid Swap Agreements, together with its successors and assigns in such capacity.

"Senior Prepaid Swap Hedge Notional Amount": U.S.$83,600,000.

"Senior Prepaid Swap Issuer Fixed Payment": On each Payment Date through and including the Date in January 2013, the aggregate fixed amount accrued at a rate equal to 4.917% *per annum* during the related Periodic Interest Accrual Period on (i) with respect to the first Payment Date, the daily average Senior Prepaid Swap Hedge Notional Amount during such Periodic Interest Accrual Period, and (ii) thereafter, the aggregate Senior Prepaid Swap Hedge Notional Amount on the first day of such Periodic Interest Accrual Period, *plus* any unpaid amounts of a Senior Prepaid Swap Issuer Fixed Payment due on any prior Payment Date.

"Senior Prepaid Swap Issuer Floating Payment": On each Payment Date through and including the Date in January 2013, the aggregate floating amount accrued at a *per annum* rate equal to 1.955% below three-month LIBOR, during the related Periodic Interest Accrual Period on (i) with respect to the first Payment Date, the daily average Senior Prepaid Swap Notional Amount during such Periodic Interest Accrual Period, and (ii) thereafter, the aggregate Senior Prepaid Swap Notional Amount on the first day of such Periodic Interest Accrual Period, *plus* any unpaid amounts of a Senior Prepaid Swap Issuer Floating Payment due on any prior Payment Date.

"Senior Prepaid Swap Notional Amount": U.S.$83,600,000.

"Senior Prepaid Swap Payment": The Senior Prepaid Swap Issuer Fixed Payment and the Senior Prepaid Swap Issuer Floating Payment.

"Sequential Pay Test": A test that will be satisfied on any date of determination if the Adjusted Principal Account Amount *plus* all payments of principal on the Notes as of such date (excluding any Class A-1LA Principal Prepayments and excluding any other payments of principal made to the Holders of the Class A-1LA Revolving Notes in accordance with the priority of payments provisions hereof) is at least equal to U.S.$365,000,000.

"Sequential Trigger Event": The occurrence of any of the following events: (i) a reduction or withdrawal of the then-current rating of any Class of Notes by any Rating Agency and the Majority Class A-1LA Noteholders elects to end the pro rata payment condition on the Notes, (ii) the failure of the Sequential Pay Test or (iii) the Net Obligation Amount is less than or equal to U.S.$500,000,000.

"Servicer": With respect to any issue of Asset-Backed Securities, the entity that, absent any default, event of default or similar condition (however described), is primarily responsible for monitoring and otherwise administering the cash flows from which payments to investors in such Asset-Backed Securities are made. In the case of multiple servicers, the "Servicer" for purposes of the collateral criteria set forth herein will be designated by the Collateral Manager.

"Short CDS Aggregate Fixed Rate Shortfall Amount": With respect to any Due Period, the aggregate amount of Fixed Rate Shortfall Amounts determined for all Short CDS Transactions during such Due Period.

"Short CDS Fixed Rate Shortfall Reimbursement Amount": With respect to any Short CDS Transaction, the "Interest Rate Shortfall Reimbursement Amount" as defined in the applicable Confirmation.

"Short CDS Reserve Account": As described under "Security for the Notes—Accounts."

"Short CDS Transaction": A credit default swap under which the Issuer buys protection (a) from a Swap Counterparty with respect to a Reference Obligation that is not in the Reference Pool or (b) from a different Swap Counterparty, regardless of whether the related Reference Obligation is in the Reference Pool; *provided* that the Short CDS Transaction is documented on a Form-Approved Credit Default Swap.

"Short CDS Weighted Average Life Test": A test that will be satisfied if the weighted average life of the Short CDS Transactions is less than or equal to the amount set forth in the schedule to the Indenture.

"Short Physical Settlement Amounts": In connection with the delivery of a Reference Obligation by the Issuer to a Swap Counterparty under a Short CDS Transaction as a result of a Credit Event, an amount payable to the Issuer by the Swap Counterparty equal to: (a) the product of the Exercise Amount and the Reference Price; minus (b) the product of (A) the aggregate of all Writedown Amounts in respect of Writedowns within paragraph (i)(B) of the definition of "Writedown" minus the Aggregate of all Writedown Reimbursement Amounts in respect of Writedown Reimbursements within paragraph (ii)(B) of the definition of "Writedown Reimbursement" and (B) the relevant Exercise Percentage; *provided that* if the Short Physical Settlement Amount would exceed the product of: (1) the Reference Obligation Notional Amount as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full; and (2) the Exercise Percentage; then the Short Physical Settlement Amount shall be deemed to be equal to such product (as such terms are defined in the related Confirmation).

"Specified Revolving Noteholder": Any Class A-1LA Noteholder which the Swap Counterparty has designated as such by written notice to the relevant Class A-1LA Noteholder and the Trustee; *provided* that such designation may be withdrawn by the Swap Counterparty at any time, so long as the Swap Counterparty has *provided* the relevant Class A-1LA Noteholder and the Trustee with at least 10 Business Days prior notice thereof.

"Specified Type": Items of Portfolio Collateral, including the related Reference Obligations, which are Asset-Backed Securities, including, without limitation, CDO Securities, CMBS Securities, Prime RMBS Securities, Mid-Prime RMBS Securities, Sub-Prime RMBS Securities and Miscellaneous Securities, and the other categories of Asset-Backed Securities described in Annex B.

"SPV Jurisdiction": The Cayman Islands, Bahamas, Bermuda, the Netherlands Antilles, the Channel Islands or any similar jurisdiction imposing no or nominal taxes on the income of companies organized under the law of such jurisdiction, but only so long as the assets and income of the related obligor are substantially located in or derived from the United States.

"Step-Up/Down Bond": An item of Portfolio Collateral which by the terms of the related Underlying Instrument provides for an increase or decrease in the *per annum* interest rate on such security solely as a function of the passage of time; *provided* that a Step-Up/Down Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of inclusion thereof in the Reference Pool by the Issuer to the Trustee or any security which provides for an increase in its *per annum* interest rate if such security is not redeemed on a special redemption date. In calculating any tests set forth herein by reference to the spread (in the case of a floating rate Step-Up/Down Bond) or coupon (in the case of a fixed rate Step-Up/Down Bond) of a Step-Up/Down Bond, (a) if the Underlying Instrument provides for an increase in such *per annum* interest rate, the spread or coupon on any date shall be deemed to be the spread or coupon stated to be payable in cash and in effect on such date and (b) if such Reference Obligation provides for a decrease in such *per annum* interest rate, the spread or coupon on any date shall be deemed to be the lowest spread or coupon, respectively, scheduled to apply to such Step-Up/Down Bond on or after such date.

"Subsequent Auction Call Redemption Date": As defined in "Description of the Notes—Auction Call Redemption."

"Supermajority of Noteholders": With respect to the Notes, the Holders of 66-2/3% or more of the Aggregate Principal Amount of the Outstanding Notes, voting as a single class.

"Swap Counterparty": With respect to any Credit Default Swap, the swap counterparty under such Credit Default Swap.

"Tax Event": Shall occur if (i) any Swap Counterparty is required to deduct or withhold from any payment to the Issuer under any Credit Default Swap for or on account of any tax for whatever reason and such Swap Counterparty is not required to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such Swap Counterparty or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding occurred, (ii) any TRS Swap Counterparty is required to deduct or withhold from any payment to the Issuer under

the Total Return Swap for or on account of any tax for whatever reason and such TRS Swap Counterparty is not required to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such TRS Swap Counterparty or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding occurred or (iii) the payments to be received on the Non-Synthetic Portfolio Collateral or Delivered Obligations are reduced as a result of the imposition of withholding tax or any jurisdiction imposes net income, profits or similar tax on the Issuer.

"Tax Materiality Condition": A Tax Materiality Condition will be satisfied during any 12 month period if the sum of (a) the aggregate amount deducted or withheld for or on account of any tax by all Swap Counterparties and (b) the aggregate amount of any net income, profits or similar tax imposed on the Issuer, exceeds U.S. U.S.$3,000,000.

"Tax Redemption": As defined in "Description of the Notes—Tax Redemption."

"Tax Redemption Date": The Payment Date fixed by the Issuer for a Tax Redemption.

"Tax Redemption Price": The sum of (1) with respect to any Class of Notes, other than the Class A-1LA Revolving Notes, an amount equal to the aggregate of (i) the Aggregate Principal Amount of each Class of Notes as of the Tax Redemption Date and (ii) the applicable Cumulative Interest Amounts with respect to each Class of Notes as of the Tax Redemption Date and (2) with respect to the Class A-1LA Revolving Notes, the Aggregate Principal Amount of the Class A-1LA Funded Notes (and a reduction of the Class A-1LA Unfunded Commitment to zero), together with the Class A-1LA Unfunded Interest Amount and the Class A-1LA Funded Interest Amount due on such Tax Redemption Date.

"Temporary Regulation S Global Note": With respect to any Class, the temporary global note issued to non-U.S. Persons in Offshore Transactions (as defined in Regulation S) in reliance on Regulation S.

"Termination Date": With respect to each Transaction, the date which is the earliest to occur of: (a) the Final Maturity Date; (b) after the Revolving Period, the first Payment Date following the date on which the aggregate notional amount of all CDS Transactions is reduced to zero, (c) any date on which such Transaction is terminated, in whole or in part, in connection with a Replacement (but only, in the case of a partial termination, in respect of the portion of such Transaction being terminated), (d) the early termination date with respect to all "affected transactions" or, in the case of an "Event of Default" under the TRS Master Agreement, with respect to all Transactions and (e) the date designated by the TRS Swap Counterparty as the Termination Date in respect of such Transaction or in respect of all Transactions in accordance with the Total Return Swap. For the avoidance of doubt, the occurrence of an event described in sub-clauses (c), (d) or (e) above in respect of a Transaction shall not result in the termination of any other Transaction.

"Total Return Swap": Collectively, total return swap transactions between the TRS Swap Counterparty and the Issuer under the Master Agreement in respect of Underlying Assets.

"Trading Gain Payment": Any additional payments due to the Issuer as a result of (i) the assignment of any of the Credit Default Swaps to a Qualifying CDS Transferee or (ii) the termination of any of the Credit Default Swaps (it being understood that such additional payments will not include the net present value of any intermediation fee earned by the Swap Counterparty in respect of the related Credit Default Swap).

"Trading Loss Payment": Any additional payments due to a Swap Counterparty or Qualifying CDS Transferee by the Issuer as a result of (i) the assignment of any of the Credit Default Swaps to a Qualifying CDS Transferee or (ii) the termination of any of the Credit Default Swaps (it being understood that such additional payments will not include the net present value of any intermediation fee earned by the Swap Counterparty in respect of the related Credit Default Swap).

"Trading Restriction Condition": As defined under "Security for the Notes—Changes in Composition of Portfolio Collateral."

"Transaction": As defined in "Security for the Notes—The Total Return Swap."

"TRS Calculation Agent": Merrill Lynch International, unless otherwise specified in the related TRS Confirmation.

"TRS Confirmation": Each confirmation executed by the Issuer and the TRS Swap Counterparty under the TRS Master Agreement.

"TRS Counterparty Collateral Account": As described under "Security for the Notes—Accounts."

"TRS LIBOR Payment": The "MLI Floating Amount" (as defined in the Total Return Swap) payable by the TRS Swap Counterparty to the Issuer pursuant to the Total Return Swap.

"TRS Master Agreement": The 1992 ISDA Master Agreement (Multicurrency-Cross Border), dated as of the Closing Date between the Issuer and the TRS Swap Counterparty (including the schedule thereto).

"TRS Replacement Agreement": If the initial Total Return Swap is no longer in effect, any replacement total return swap, repurchase agreement, guaranteed investment contract or similar instrument which satisfies the Rating Condition.

"TRS Swap Counterparty": Initially, Merrill Lynch International.

"TRS Swap Counterparty's Designee": As defined in "Security for the Notes—The Total Return Swap—Voting Rights."

"TRS Underlying Transaction Interest Distribution": The "Counterparty Floating Amount" (as defined in the Total Return Swap) payable by the Issuer to the TRS Swap Counterparty pursuant to the Total Return Swap.

"Trust Estate": All money, instruments and other property and rights subject or intended to be subject to the lien of the Indenture including the Eligible Investments, the Credit Default Swaps, the Non-Synthetic Portfolio Collateral, the Delivered Obligations, the Notes Collection Accounts, the Expense Reimbursement Account, the Payment Account, the Delivered Obligation Account, the Custodial Account, the Initial Deposit Account and the Closing Expense Account.

"Trustee": LaSalle Bank National Association, as trustee under the Indenture.

"Trustee Administrative Expenses": With respect to any Payment Date (including without limitation the Final Maturity Date), fees, expenses or other amounts due or accrued and payable to the Trustee pursuant to the Indenture, including fees and expenses pursuant to duties performed as collateral administrator, Paying and Transfer Agent, *provided* such payment shall not exceed on such Payment Date the greater of (i) one-quarter of 0.007% of the Net Obligation Amount as of the first day of the Due Period relating to such Payment Date and (ii) U.S.$6,250.

"Trustee Report": With respect to each Payment Date, the report prepared by the Trustee in accordance with the Indenture with respect to the Total Return Swap.

"UA Collateral Sub-Account": As defined under "Security for the Notes—The Accounts."

"Underlying Asset Custodial Receipt": As defined in "Security for the Notes—The Total Return Swap—Credit Enhancement."

"Underlying Assets": (a) The Initial Underlying Assets and (b) any securities (or custodial receipts for such securities) designated by the TRS Swap Counterparty in a notice to the Issuer, the Trustee and the Collateral Manager or (to the extent that the Total Return Swap is not in effect or the Issuer has the right under the Total Return Swap to designate the securities) by the Collateral Manager in a notice to the Trustee, in each case, which on the date of such notice satisfies the Underlying Assets Criteria.

"Underlying Assets Criteria": A security (i) that is either (a) an Asset-Backed Security that has a Standard & Poor's Rating of at least "AAA" or "A-1+" and a Moody's Rating of "Aaa" or "P-1" or (b) an Eligible Investment, (ii) that is purchased at a price not in excess of its Principal Balance or principal amount (exclusive of any discount included therein) unless the TRS Swap Counterparty pays any accrued interest or other amount in excess thereof, if it will be subject to the Total Return Swap, (iii) that is Registered and (iv) the income from or proceeds of disposition of which is not subject to reduction for or on account of withholding or any similar tax; *provided, however,* that such security may be purchased only if it will be subject to the Total Return Swap or a TRS Replacement Agreement or the Rating Condition is satisfied.

"Underlying Instrument": With respect to any item of Portfolio Collateral, any trust deed, indenture, or other agreement pursuant to which the Obligation that is (or, with respect to any Credit Default Swap, relates to) such item of Portfolio Collateral has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Obligation or of which holders of such Obligation are the beneficiaries.

"Voting Notice": As defined in "Security for the Notes—The Total Return Swap—Voting Rights."

"Voting Notice Cut-off Date": As defined in "Security for the Notes—The Total Return Swap—Voting Rights."

"Voting Rights": As defined in "Security for the Notes—The Total Return Swap—Voting Rights."

"Voting Rights Event": As defined in "Security for the Notes—The Total Return Swap—Voting Rights."

"Weighted Average Coupon": The amount determined by summing the products obtained by multiplying, for each item of Fixed Rate Portfolio Collateral then included in the Trust Estate (other than items of Defaulted Portfolio Collateral), the Principal Balance of such item of Portfolio Collateral and the stated rate of interest of such item of Portfolio Collateral and then dividing such sum by the Net Obligation Amount of all of the Fixed Rate Portfolio Collateral included in the Trust Estate (other than items of Defaulted Portfolio Collateral) as of such date of determination.

"Weighted Average Coupon Test": As defined under "Security for the Notes—Changes in Composition of Portfolio Collateral."

"Weighted Average Fixed Rate": The percentage equal to (a) the amount equal to (i) the sum of the products of the Adjusted Notional Amount of each CDS Transaction or Hedging Short CDS Transaction and the fixed rate amount associated with such CDS Transaction or Hedging Short CDS Transaction *plus* (ii) the sum of the products of the Aggregate Principal Amount of each Non-Synthetic Portfolio Collateral and the Credit Spread associated with such Non-Synthetic Portfolio Collateral *plus* (iii) the sum of the products of the aggregate principal amount of each Delivered Obligation and the Credit Spread associated with such Delivered Obligation *minus* (iv) the sum of the products of the Adjusted Notional Amount of each Short CDS Transaction or Hedging CDS Transaction and the fixed rate amount associated with such Short CDS Transaction or Hedging CDS Transaction, divided by (b) the sum of (i) the Net Aggregate Adjusted Notional Amount of all CDS Transactions *plus* (ii) the Aggregate Principal Amount of all Non-Synthetic Portfolio Collateral and Delivered Obligations.

"Weighted Average Fixed Rate Test": A test that will be satisfied by application of the Collateral Quality Matrix.

"Weighted Average Life": As of any date of determination, the amount determined by summing the products obtained by multiplying, for each Obligation (other than Short CDS Transactions and Hedging Short CDS Transactions) then included in the Trust Estate, the Net Obligation Amount of such Obligations and the Average Life (as such term is defined below) of the related Obligation as of such date of determination and then dividing such sum by the Net Obligation Amount as of such date of determination. For any Obligation, the "Average Life" shall, as calculated by the Collateral Manager, be equal to the number of years obtained by dividing (a) the Notional Amount or Aggregate Principal Amount of such Obligation into (b) the sum of the products obtained by multiplying (i) the amount of each of the remaining, required principal payments on such Obligation by (ii) the number of years (calculated to the nearest one-twelfth) that will have elapsed between such date of determination and the making of such payment.

"Weighted Average Life Test": As defined under "Security for the Notes—Changes in Composition of Portfolio Collateral."

"Weighted Average Rating Test": As defined under "Security for the Notes—Changes in Composition of Portfolio Collateral."

"Weighted Average Recovery Rate Test": As defined under "Security for the Notes—Changes in Composition of Portfolio Collateral."

"Writedown": As described under "Security for the Notes–The Credit Default Swaps–Credit Events."

"Writedown Amount": Upon the occurrence of a "Writedown" Credit Event, a payment due to a Swap Counterparty from the Issuer equal to the product of the amount of writedown, the Reference Price and the Applicable Percentage, calculated by such Swap Counterparty.

"Writedown Reimbursement Payment Amount": Any amount paid with respect to a Reference Obligation in satisfaction of any Writedown Amount, such amount not to exceed any Writedown Amount previously paid by the Issuer relating to such Reference Obligation.

SPECIFIED TYPES OF ASSET-BACKED SECURITIES

"**ABS Automobile Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from installment sale loans made to finance the purchase of, or from leases of, automobiles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessors and accordingly represent a diversified pool of obligor credit risk; (3) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; (4) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use; and (5) the related borrowers are of prime credit quality.

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

"**ABS Credit Card Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from balances outstanding under revolving consumer credit card accounts, generally having the following characteristics: (1) the accounts have standardized payment terms and require minimum monthly payments; (2) the balances are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such balances does not depend upon a contractual payment schedule, with early repayment depending primarily on interest rates, availability of credit against a maximum credit limit and general economic matters; and (4) the related borrowers are of prime credit quality.

"**ABS Small Business Loan Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from general purpose corporate loans made to "small business concerns" (generally within the meaning given to such term by regulations of the United States Small Business Administration), including but not limited to those (a) made pursuant to Section 7(a) of the United States Small Business Act, as amended, and (b) partially guaranteed by the United States Small Business Administration. ABS Small Business Loan Securities generally have the following characteristics: (1) the loans have payment terms that comply with any applicable requirements of the Small Business Act, as amended; (2) the loans are obligations of a relatively limited number of borrowers and accordingly represent an undiversified pool of obligor credit risk; and (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

"**ABS Student Loan Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from loans made to students (or their parents) to finance educational needs, generally having the following characteristics: (1) the loans have standardized terms; (2) the loans are obligations of numerous borrowers and accordingly represent a very diversified

pool of obligor credit risk; (3) the repayment stream on such loans is primarily determined by a contractual payment schedule, with early repayment on such loans predominantly dependent upon interest rates and the income of borrowers following the commencement of amortization; and (4) such loans must be fully or partially insured or reinsured by the United States Department of Education.

"**Agency MBS Security**" means a security issued and fully and unconditionally guaranteed by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or the Government National Mortgage Association.

"**Aircraft Securities**" means Asset-Backed Securities (including enhanced equipment trust certificates) that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of aircraft, vessels and telecommunications equipment to businesses for use in the provision of goods or services to consumers, the military or the government, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of lease term for excess usage or wear and tear; and (5) the obligations of the lessors or sublessors may be secured not only by the leased equipment but also by other assets of the lessee, sublessee or guarantees granted by third parties.

"**Cap Corridor Security**" means a Prime RMBS Security, Mid-Prime RMBS Security or Sub-Prime RMBS Security that (i) bears interest at a floating-rate, (ii) is backed solely by fixed rate collateral, (iii) uses amortizing notional balance interest rate caps to increase the available funds cap applied to such security above the net weighted average coupon on the underlying collateral, (iv) had a S&P Rating of "AAA" or a Moody's Rating of "Aaa" when originally issued, (v) is not backed by any underlying swap derivative collateral (other than swap derivatives prepaid by the swap counterparty) and (vi) in the Collateral Manager's sole judgment, the predominant credit risk of such security is default in the payment of interest rather than default in the payment of principal.

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

"**CDO of CDO Securities**" means any CDO Security that entitles the holder thereof to receive payments that primarily depend on a portfolio of underlying obligations of which 35% or more of the aggregate principal balance thereof consist of other CDO Securities.

"**CDO Security**": means any Asset-Backed Security that entitles the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such CDO Security) on the cash flow from, market value of, or credit exposure to a portfolio of securities, loans or other obligations, including, without limitation, credit derivatives.

"**Chassis Securities**" means Asset-Backed Securities (other than Aircraft Securities, Equipment Leasing Securities, Project Finance Securities and Restaurant and Food Services Securities) that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of chassis (other than automobiles) to commercial and industrial customers, generally having the following

characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying chassis; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the chassis for their stated residual value, subject to payments at the end of lease term for excess usage.

"**CLO Securities**" means CDO Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a portfolio of commercial and industrial bank loans (excluding any such loan secured by real estate unless such security is not the primary source of credit for such loan), including such Asset-Backed Securities secured by interests in or representing one or more credit default swaps or other synthetic or similar instruments the reference obligations of which are such loans, generally having the following characteristics: (1) the bank loans have varying contractual maturities; (2) the loans are obligations of a relatively limited number of obligors or issuers and accordingly represent a relatively undiversified pool of obligor credit risk; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional bank loans.

"**CMBS Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties. They generally have the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (5) the valuation of individual properties securing the commercial mortgage loans is the primary factor in any decision to invest in these securities.

"CMBS CDO Securities" means CDO Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such CDO Securities) on the cash flow from a portfolio of securities a portion of which is comprised of CMBS Securities.

"**CMBS Credit Tenant Lease Securities**" means Asset-Backed Securities (other than CMBS Large Loan Securities and CMBS Conduit Securities) that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties leased to corporate tenants (or on the cash flow from such leases). They generally have the following characteristics: (1) the commercial mortgage loans or leases have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the leases are secured by leasehold interests; (4) the commercial mortgage loans or leases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment thereof can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans or termination of leases depending on numerous factors specific to the particular obligors or lessees and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; and (6) the creditworthiness of such corporate tenants is the primary factor in any decision to invest in these securities.

"**CMBS Large Loan Securities**" means Asset-Backed Securities (other than CMBS Conduit Securities and CMBS Credit Tenant Lease Securities) that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties. They generally have the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (5) the valuation of individual properties securing the commercial mortgage loans is the primary factor in any decision to invest in these securities.

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

"**Corporate CDO Security**" means any CDO Securities for which over 10% of the aggregate principal balance of its underlying assets consists of commercial or industrial loans or obligations or corporate debt securities.

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

"**Franchise Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide oil, gasoline, restaurant or food services and provide other services related thereto and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a

contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

"**Healthcare Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from contracts entitling health care providers to receive payments from third party payors for medical services (and any ancillary services and sales) *provided*, generally having the following characteristics: (1) the contracts have standardized payment terms; and (2) the contract balances are obligations of third party insurers and accordingly represent a very diversified pool of obligor credit risk.

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

"**Lottery Receivable Security**" means Asset-Backed Securities that (a) entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Asset-Backed Securities) upon an arrangement that compensates a winner of a state lottery with one lump sum payment in exchange for a pledge of the lottery payments that individual would have received over a future period of time or (b) is backed by a diversified pool of payments received from various state lottery commissions in exchange for a lump sum payment to bona fide winners of state lotteries.

"**Manufactured Housing Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from manufactured housing (also known as mobile homes and prefabricated homes) installment sales contracts and installment loan agreements, generally having the following characteristics: (1) the contracts and loan agreements have varying, but typically lengthy contractual maturities; (2) the contracts and loan agreements are secured by the manufactured homes and, in certain cases, by mortgages and/or deeds of trust on the real estate to which the manufactured homes are deemed permanently affixed; (3) the contracts and/or loans are obligations of a large number of obligors and accordingly represent a relatively diversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule, with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (5) in some cases, obligations are fully or partially guaranteed by a governmental agency or instrumentality. Notwithstanding the foregoing, an Asset-Backed Security shall not be deemed to be a Manufactured Housing Security if the collateral securing such Asset-Backed Security is not primarily comprised of Manufactured Housing Securities.

"**Mid-Prime RMBS Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans or balances (including revolving balances) outstanding under lines of credit secured by residential real estate (single or multi-family properties) that generally have the following characteristics: (1) the mortgage loans have

standardized payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) the mortgage loans have a weighted average FICO Score between 625 and 700.

"**Miscellaneous Securities**" means any ABS Automobile Securities, ABS Credit Card Securities, ABS Small Business Loan Securities, ABS Student Loan Securities, REIT Debt Securities and Equipment Leasing Securities.

"**Monoline Guaranteed Securities**" means any Asset-Backed Security as to which the timely payment of interest when due, and the payment of principal no later than stated legal maturity, is unconditionally guaranteed pursuant to an insurance policy, guarantee or other similar instrument issued by a monoline financial insurance company whose rating is higher than the rating of the Asset-Backed Securities without giving effect to such policy, but only if such insurance policy, guarantee or other similar instrument (1) expires no earlier than such stated maturity, (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) is issued by an insurance company having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset-Backed Security higher than the credit rating assigned by such rating organization to such Asset-Backed Security determined without giving effect to such insurance policy, guarantee or other similar instrument, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Type of Asset-Backed Security.

"**Mutual Fund Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from certain payments accruing under the distribution plans and distribution agreements relating to shares of mutual funds. Mutual Fund Fee Securities generally have the following characteristics: (i) cash flows consist primarily of sales charges which are payable periodically based on the net asset value of the related mutual fund and contingent deferred sales charges that are paid only upon the redemption of shares in such funds; (ii) returns on the securitized receivables will vary as the net asset values of the related mutual funds fluctuate due to a variety of factors, including performance of the equity markets, the fixed income markets, international markets, and other markets in which such funds invest; (iii) returns on such receivables are also sensitive to the rate and timing of shareholder redemptions due to the fact that contingent deferred sales charges are based upon the lower of net asset value at the time of purchase or at the time of redemption; and (iv) in the case of U.S. mutual funds, continuance of the cash flows from the securitized receivables is contingent on annual approval of the charges by the directors of the fund, including a majority of the directors that are unaffiliated with the fund.

"**Natural Resource Receivables Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from the sale of product derived from the right to harvest, mine, extract or exploit a natural resource such as timber, oil, gas and minerals, generally having the following characteristics: (1) the contracts have standardized payment terms; (2) the contracts are the obligations of a few consumers of natural resources and accordingly represent an undiversified pool of credit risk; and (3) the repayment stream on such contracts is primarily determined by a contractual payment schedule.

"**NIM Security**" means an Asset-Backed Security that is rated by Moody's (as to principal balance and a stated coupon) and has an S&P Rating and that entitles the holders thereof to receive payments that depend (except for the rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Asset-Backed Security) on the cash flow from interest spreads from mortgage securitizations.

"**Prime RMBS Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans or balances (including revolving balances) outstanding under lines of credit secured by residential real estate (single or multi-family properties) that generally have the following characteristics: (1) the mortgage loans have standardized payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) the mortgage loans have a weighted average FICO Score greater than 700.

"**Project Finance Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (1) the sale of products, such as electricity, nuclear energy, steam or water, in the utility industry by a special purpose entity formed to own the assets generating or otherwise producing such products and such assets were or are being constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to such assets and the land on which they are located) or (2) fees or other usage charges, such as tolls collected on a highway, bridge, tunnel or other infrastructure project, collected by a special purpose entity formed to own one or more such projects that were constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to the project and the land on which it is located).

"**Recreational Vehicle Securities**" means Asset-Backed Securities (other than Automobile Securities and Equipment Leasing Securities) that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from installment sale loans made to finance the purchase of (either as a part of a dealer's inventory or for end users), or from leases of, recreational vehicles generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) except in the case of inventory financing, the loans or leases are obligations of numerous borrowers or lessors and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying recreational vehicle; and (4) such leases typically provide for the right of the lessee to purchase the recreational vehicle for its stated residual value.

"**REIT Debt Securities**" means debt securities issued by real estate investment trusts (as defined in Section 856 of the Code or any successor provision) whose assets consist of real property interests including mortgages on real property interests.

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

"**Structured Settlement Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from an annuity or other contractual obligation, generally having the following characteristics: (1) the receivables are backed by existing annuity contracts or other contractual obligations; (2) the receivables are subject to the credit risk of (i) the provider of such annuity or (ii) the obligors under such other contractual obligation; and (3) the receivables represent obligations from a limited number of obligors and accordingly represent an undiversified pool of obligor credit risk.

"**Sub-Prime RMBS Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans or balances (including revolving balances) outstanding under lines of credit secured by residential real estate (single or multi-family properties) that generally have the following characteristics: (1) the mortgage loans have standardized payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) the mortgage loans have a weighted average FICO Score less than 625.

"**Synthetic CDO Security**" means any CDO Security that (i) entitles the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of CDO Securities) on the market value of and cash flow from underlying assets of which greater than 20% of its aggregate principal balance (or notional balance) consists of one or more credit default swaps that reference a portfolio of Reference Obligations based upon the notional amount (or "**Floating Rate Payer Calculation Amount**" as such term is defined in the underlying credit default swap); *provided*, that the characteristics of such portfolio of Reference Obligations including, without limitation, its portfolio characteristics, investment and reinvestment criteria and credit profile (e.g., probability of default recovery upon default and expected loss characteristics) shall be those normally associated with CDO Securities with current market practice; and (ii) invests the proceeds of such CDO Security in Eligible Investments to secure the issuer's obligations under the credit default swaps, other than any Synthetic CDO Security that contains an underlying derivative transaction (or an instrument the underlying assets of which comprise one or more underlying derivative transactions) for which (i) the seller of credit protection (the "**Protection Seller**") under a credit derivative transaction (or any other derivative transaction that contains characteristics of a credit derivative transaction) undertakes to make payments to the buyer of credit protection in respect of interest shortfalls on one or more Reference Obligations under such derivative transaction (an "**Interest Shortfall Undertaking**") and (ii) in respect of such Interest Shortfall Undertaking, either (x) an interest shortfall cap is applicable or (y) a "fixed cap" rather than a "variable cap" is applicable, i.e., an interest shortfall cap pursuant to which the amount of interest shortfall payable in respect of an interest period by the Protection Seller shall be limited to the premium payable to such Protection Seller for such interest period.

"**Tax Lien Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of tax obligations owed by businesses and individuals to state and municipal governmental taxing authorities, generally having the following characteristics: (1) the obligations have standardized payment terms and require minimum payments; (2) the tax obligations are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) the repayment stream on the obligation is primarily determined by a payment schedule entered into between the relevant tax authority and obligor, with early repayment on such obligation predominantly dependent upon interest rates and the income of the obligor following the commencement of amortization.

"**Timeshare Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from time share contracts with respect to vacation homes, condominiums or other real estate properties.

"**Tobacco Litigation Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from lawyer fee awards and state awards as a result of the settlement of litigation between the states and certain tobacco companies.

"**Trust Preferred CDO Securities**" means CDO Securities that entitle the holders thereof to receive payments that primarily depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the CDO Securities) on the cash flow from a pool of trust preferred securities.

WEIGHTED AVERAGE LIFE REQUIREMENT SCHEDULE

Due Period	Required WAL
First	6.50
Second	6.50
Third	6.50
Fourth	6.50
Fifth	6.50
Sixth	6.50
Seventh	6.50
Eighth	6.50
Ninth	6.13
Tenth	5.75
Eleventh	5.38
Twelfth	5.00
Thirteenth	4.63
Fourteenth	4.25
Fifteenth	3.88
Sixteenth and thereafter	3.50

APPENDIX 1 – PREFERENCE SHARES OFFERING CIRCULAR

WEBSTER CDO I, LTD.

43,000,000 PREFERENCE SHARES, PAR VALUE U.S. $0.001 PER SHARE

VANDERBILT CAPITAL ADVISORS, LLC
Collateral Manager

The Preference Shares (the "**Preference Shares**") will be issued by Webster CDO I, Ltd. (the "**Issuer**"), a limited liability company incorporated under the laws of the Cayman Islands. The Issuer was incorporated on October 24, 2006 and has no significant prior operating history.

INVESTORS INTERESTED IN PURCHASING PREFERENCE SHARES SHOULD REVIEW THE OFFERING CIRCULAR RELATING TO THE NOTES ATTACHED HERETO (THE "**SECURED NOTE OFFERING CIRCULAR**") IN CONJUNCTION WITH THIS OFFERING CIRCULAR. Capitalized terms used herein and not otherwise defined herein have the respective meanings specified in the Secured Note Offering Circular.

The activities of the Issuer will be limited as described herein. The Issuer will receive all of the net proceeds of the offering of the Notes and the Preference Shares, which will be used by the Issuer to purchase Collateral and to pay organizational expenses and the expenses of the issuance of the Notes and the Preference Shares.

As described herein, the use by the Issuer of payments received in respect of the Collateral for the payment of dividends on the Preference Shares or redemption of the Preference Shares will be subordinated to the use of such payments for the payment of interest on and principal of the Notes and will be payable, with respect to any Payment Date, only after all required payments are made to the Holders of the Notes, the Trustee, the Paying Agent and the Collateral Manager and, except as described herein, after the payment of all other fees and expenses of the Issuer and certain payments to counterparties required to be made on such date. The ability of the Holders of the Preference Shares to vote on matters relating to the Issuer is limited.

It is a condition of issuance that the Preference Shares be initially rated "B2" by Moody's as to the ultimate receipt of the Preference Shares Stated Amount (as defined herein).

This Offering Circular is intended for the exclusive use of the recipient whose name appears above and such recipient's advisors, and may not be reproduced or used for any other purpose or furnished to any other party.

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

There is currently no secondary market in the Preference Shares and it is unlikely that one will develop or, if one does develop, that it will continue.

Distributions, including dividends, on the Preference Shares will be paid solely from and to the extent of the available proceeds from the distributions on the Collateral which is the only source of such distributions in respect of the Preference Shares. To the extent the Collateral is insufficient to pay dividends on or to redeem the Preference Shares, the Issuer will have no obligation to pay any further amounts in respect of the Preference Shares.

The Preference Shares are being offered to "qualified institutional buyers" within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act of 1933, as amended (the "**Securities Act**"), and to certain persons in transactions outside the United States in reliance on Regulation S under the Securities Act. Each investor in the Preference Shares (other than Non-U.S. Persons purchasing Preference Shares in reliance on Regulation S) is required to be a "qualified purchaser" within the meaning of Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). Settlement for the Preference Shares will be made in immediately available funds.

The Preference Shares are offered by the Issuer through Greenwich Capital Markets, Inc. (the "**Initial Purchaser**") to prospective purchasers from time to time in individually negotiated transactions at varying prices to be determined in each case at the time of sale. (See "Risk Factors—Certain Conflicts of Interest" in the Secured Note Offering Circular.) The Preference Shares are offered when, as and if issued by the Issuer, 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. See "Plan of Distribution." Delivery of the Preference Shares was made on December 7, 2006 (the "**Closing Date**"), against payment in immediately available funds. The Preference Shares sold to Non-U.S. Persons will be represented by one or more permanent physical share certificates in fully registered definitive form (each a "**Global Preference Share**"), which will be deposited with a common depository on behalf of Euroclear Bank, S.A./N.V., as operator of The Euroclear System ("**Euroclear**") and Clearstream Banking société anonyme ("**Clearstream**") registered in the name of the depository bank on the Closing Date. Global Preference Shares will, for purposes of trading within Euroclear or Clearstream, have a notional issue price equal to U.S. $1 for each Preference Share. The Preference Shares sold to U.S. Persons will be sold and delivered in definitive registered form.

NOTICES TO PURCHASERS

THE PREFERENCE SHARES 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, NOR HAS THE ISSUER BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). THE PREFERENCE SHARES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OF, U.S. PERSONS UNLESS A REGISTRATION STATEMENT WITH RESPECT THERETO IS THEN EFFECTIVE UNDER THE SECURITIES ACT OR AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS AVAILABLE. THE ISSUER IS RELYING ON AN EXEMPTION FROM REGISTRATION UNDER THE INVESTMENT COMPANY ACT, AND NO TRANSFER OF PREFERENCE SHARES MAY BE MADE WHICH WOULD CAUSE THE ISSUER TO BECOME SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE INVESTMENT COMPANY ACT. THE PREFERENCE SHARES ARE ALSO SUBJECT TO CERTAIN OTHER RESTRICTIONS ON TRANSFER DESCRIBED HEREIN.

EACH PURCHASER OF PREFERENCE SHARES, BY ITS ACCEPTANCE THEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT RESELL, PLEDGE OR OTHERWISE TRANSFER SUCH PREFERENCE SHARES EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT (A) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, WHOM THE SELLER HAS INFORMED, IN EACH CASE, THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, PROVIDED THAT SUCH PURCHASER DELIVERS ALL DOCUMENTS AND CERTIFICATIONS AS THE ISSUER OR THE PAYING AGENT MAY REASONABLY REQUEST; (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT PROVIDED THAT SUCH PURCHASER DELIVERS ALL DOCUMENTS AND CERTIFICATIONS AS THE ISSUER OR THE PAYING AGENT MAY REQUEST; OR (C) TO THE ISSUER OR ITS AFFILIATES, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF THE UNITED STATES AND ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE PAYING AGENCY AGREEMENT. IN ADDITION, THE PURCHASER OF A PREFERENCE SHARE, BY ITS ACCEPTANCE THEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT RESELL, PLEDGE OR OTHERWISE TRANSFER SUCH PREFERENCE SHARE EXCEPT TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S UNDER THE SECURITIES ACT OR TO A "QUALIFIED PURCHASER" WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT IN A TRANSACTION THAT DOES NOT CAUSE THE ISSUER OR THE POOL OF COLLATERAL TO BE REQUIRED TO REGISTER UNDER THE INVESTMENT COMPANY ACT.

THE PREFERENCE SHARES MAY NOT BE SOLD OR TRANSFERRED TO ANY PLAN SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 ("**ERISA**") OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), TO ANY PERSON ACTING ON BEHALF OF OR WITH "PLAN ASSETS" OF ANY SUCH PLAN, OR TO ANY OTHER "BENEFIT PLAN INVESTOR" (AS DEFINED IN SECTION 3(42) OF ERISA) (A "**BENEFIT PLAN INVESTOR**"), INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH HEREIN.

ANY SALE OR TRANSFER OF PREFERENCE SHARES WHICH WOULD VIOLATE THE FOREGOING WILL BE NULL AND VOID.

THE PREFERENCE SHARES ARE PART OF THE SHARE CAPITAL OF THE ISSUER AND, AS SUCH, THEIR ENTITLEMENT IS LIMITED TO THE ASSETS OF THE ISSUER AFTER PAYMENT OF ALL LIABILITIES RANKING AHEAD OF THEM ACCORDING TO THE ARTICLES OF ASSOCIATION OF THE ISSUER AND AT LAW. ACCORDINGLY, TO THE EXTENT THE COLLATERAL IS INSUFFICIENT TO PAY DIVIDENDS ON THE PREFERENCE SHARES OR TO REDEEM THE PREFERENCE SHARES, THE ISSUER WILL HAVE NO OTHER ASSETS TO PAY ANY FURTHER AMOUNTS IN RESPECT OF THE PREFERENCE SHARES.

AN INVESTMENT IN THE PREFERENCE SHARES IS NOT SUITABLE FOR ALL INVESTORS AND IS APPROPRIATE ONLY FOR AN INVESTOR CAPABLE OF ANALYZING AND ASSESSING THE RISKS ASSOCIATED WITH SECURITIES SUCH AS THE PREFERENCE SHARES, AND BEARING SUCH RISKS AND THE FINANCIAL CONSEQUENCES THEREOF AS THEY RELATE TO AN INVESTMENT IN THE PREFERENCE SHARES.

EACH PURCHASER OF A PREFERENCE SHARE BY ITS ACCEPTANCE THEREOF ACKNOWLEDGES THAT IT IS USING ITS INDEPENDENT JUDGMENT IN ASSESSING THE OPPORTUNITIES AND RISKS PRESENTED BY THE PREFERENCE SHARES FOR ITS INVESTMENT PORTFOLIO AND IN DETERMINING WHETHER THE ACQUISITION IS SUITABLE AND COMPLIES WITH SUCH PURCHASER'S INVESTMENT OBJECTIVES AND POLICIES.

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 PREFERENCE SHARES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER IN SUCH JURISDICTION NOR TO ANY PERSON WHO HAS NOT RECEIVED A COPY OF EACH CURRENT AMENDMENT OR SUPPLEMENT HERETO, IF ANY.

THIS OFFERING CIRCULAR IS FURNISHED SOLELY FOR THE PURPOSE OF EVALUATING THE INVESTMENT OFFERED HEREBY. THE INFORMATION CONTAINED HEREIN MAY NOT BE REPRODUCED OR USED IN WHOLE OR IN PART FOR ANY OTHER PURPOSE. THIS OFFERING CIRCULAR SHOULD BE READ IN CONJUNCTION WITH THE SECURED NOTE OFFERING CIRCULAR.

NOTWITHSTANDING ANY OTHER EXPRESS OR IMPLIED AGREEMENT TO THE CONTRARY, THE ISSUER, THE COLLATERAL MANAGER, THE INITIAL PURCHASER, THE PAYING AND TRANSFER AGENT, THE TRUSTEE, THE TRS SWAP COUNTERPARTY, THE COLLATERAL ADMINISTRATOR AND EACH RECIPIENT HEREOF AGREE THAT EACH OF THEM AND EACH OF THEIR EMPLOYEES, REPRESENTATIVES, AND OTHER AGENTS MAY DISCLOSE, IMMEDIATELY UPON COMMENCEMENT OF DISCUSSIONS, TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTION AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO ANY OF THEM RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE.

THE PREFERENCE SHARES 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 PREFERENCE SHARES AND RISKS OF OWNERSHIP OF THE PREFERENCE SHARES. 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 PREFERENCE SHARES. REPRESENTATIVES OF THE ISSUER AND THE INITIAL PURCHASER WILL BE AVAILABLE TO ANSWER QUESTIONS CONCERNING THE ISSUER, THE PREFERENCE SHARES AND THE COLLATERAL AND WILL, UPON REQUEST, MAKE AVAILABLE SUCH OTHER INFORMATION AS INVESTORS MAY REASONABLY REQUEST. THE SECURED NOTE OFFERING CIRCULAR CONTAINS CERTAIN INFORMATION CONCERNING THE NOTES, THE ISSUER AND THE ISSUER'S ASSETS (INCLUDING THE COLLATERAL). INVESTORS INTERESTED IN PURCHASING THE PREFERENCE SHARES ARE STRONGLY URGED TO REVIEW THE SECURED NOTE OFFERING CIRCULAR, WHICH IS ATTACHED HERETO.

THIS OFFERING CIRCULAR IS NOT INTENDED TO FURNISH LEGAL, REGULATORY, TAX, ACCOUNTING, INVESTMENT OR OTHER ADVICE TO ANY PROSPECTIVE PURCHASER OF THE PREFERENCE SHARES. THIS OFFERING CIRCULAR (INCLUDING THE SECURED NOTE OFFERING CIRCULAR ATTACHED HERETO) SHOULD BE REVIEWED BY EACH PROSPECTIVE PURCHASER AND ITS LEGAL, REGULATORY, TAX, ACCOUNTING, INVESTMENT AND OTHER ADVISORS.

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

THE INITIAL PURCHASER AND THE ISSUER: (A) HAVE ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED AND WILL ONLY COMMUNICATE OR CAUSE TO BE COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("**FSMA**")) RECEIVED BY THEM IN CONNECTION WITH THE ISSUE OR SALE OF ANY OFFERED SECURITIES IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE ISSUER AND (B) HAVE COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY THEM IN RELATION TO THE OFFERED SECURITIES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

NO INVITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THE PREFERENCE SHARES.

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.

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

THE COLLATERAL MANAGER, THE PAYING AGENT AND THEIR RESPECTIVE AFFILIATES HAVE NOT PARTICIPATED IN THE PREPARATION OF THIS OFFERING CIRCULAR AND DO NOT ASSUME ANY RESPONSIBILITY FOR ITS CONTENTS.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act for transfers of the Preference Shares, the Issuer will make available to investors and prospective investors in the Preference Shares who request such information, the information required to be delivered under Rule 144A(d)(4) under the Securities Act, if at the time of the request the Issuer is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. The Issuer does not expect to become such a reporting company or to be so exempt from reporting.

RISK FACTORS

An investment in the Preference Shares may be affected by the following factors, as well as the factors described under "Risk Factors" in the Secured Note Offering Circular:

1. Limited Cash Flow Available to the Issuer. The Issuer has pledged substantially all of its assets to secure the Notes. Such assets will only be available to the Issuer to make payments on the Preference Shares as and when released from the lien of the Indenture. There can be no assurance that payments on, and other proceeds from, the Collateral and the other collateral making up the Trust Estate will continue to exceed required fees and expenses and payments of principal and interest on the Notes and be sufficient to provide Excess Cash Flow (as defined herein). See "Description of the Notes" in the Secured Note Offering Circular. Such Excess Cash Flow would constitute the only assets available to the Issuer as a source for payment of amounts payable in respect of the Preference Shares prior to the payment in full of the Notes.

2. Subordination of the Preference Shares. Distributions on the Preference Shares are fully subordinated to payments on the Notes and to payment of the Trustee Administrative Expenses, Preference Shares Administrative Expenses, Issuer Base Administrative Expenses, Issuer Excess Administrative Expenses, to payments to the Swap Counterparties under the Credit Default Swaps, to payments to the TRS Counterparty under the Total Return Swap and to payments to the Senior Prepaid Swap Counterparty under the Senior Prepaid Swap and certain amounts owing to the Collateral Manager, each as described more fully herein and in the Secured Note Offering Circular. No distributions of Excess Cash Flow will be made to the Issuer on any Payment Date for distribution to Holders of Preference Shares until all senior obligations due on such date have been paid in full. See "Description of the Notes—Payment on the Notes; Priority of Distributions" in the Secured Note Offering Circular. In addition, in case of an Event of Default under the Indenture, as long as any Notes are outstanding, the Holders of such Notes will be entitled to determine the remedies to be exercised under the Indenture. Remedies pursued by the Holders of Notes would likely adversely affect the interests of Holders of Preference Shares. On a winding up of the Issuer, Holders of the Preference Shares will rank after all creditors, secured and unsecured, of the Issuer and the holders of ordinary shares.

3. Equity Status of the Preference Shares. The Preference Shares are equity in the Issuer and are not secured by the Collateral or any other collateral securing the Notes. As such, the Holders of the Preference Shares will rank behind all of the creditors, whether secured or unsecured and known or unknown, of the Issuer, including, without limitation, the Holders of the Notes and the Collateral Manager. No person or entity other than the Issuer will be required to make any distributions on the Preference Shares. Except with respect to the obligations of the Issuer to make payments pursuant to the priority of payments set forth in the Indenture and more fully described in the Secured Note Offering Circular, the Issuer does not expect to have any creditors. Any amounts paid by the Paying and Transfer Agent as dividends or other distributions on the Preference Shares in accordance with the priority of payments set forth in the Indenture and more fully described in the Secured Note Offering Circular will be payable only to the extent of the Issuer's distributable profits and/or share premium determined in accordance with Cayman Islands law. In addition, such distributions will be payable only to the extent that the Issuer is solvent on the applicable Payment Date and the Issuer will not be insolvent after such distributions are paid. Under Cayman Islands law, a company is generally deemed to be solvent if it is able to pay its debts as they fall due.

To the extent the requirements under Cayman Islands law described in the preceding paragraph are not met, amounts otherwise payable to the Holders of the Preference Shares will be retained in an account with the Paying and Transfer Agent (the "Preference Shares Collection Account") until, in the case of any payment by way of dividend, the next succeeding Payment Date or (in the case of any payment which would otherwise be payable on a redemption date of the Preference Shares) the next

succeeding Business Day on which the Issuer notifies the Paying and Transfer Agent that such requirements are met and, in the case of any payment on redemption of the Preference Shares, the next succeeding Business Day on which the Issuer notifies the Paying and Transfer Agent that such requirements are met. Amounts on deposit in the Preference Shares Collection Account will not be available to pay amounts due to the Holders of the Notes, the Trustee or any other creditor of the Issuer whose claim is limited in recourse to the Collateral. However, amounts on deposit in the Preference Shares Collection Account may be subject to the claims of creditors of the Issuer that have not contractually limited their recourse to the Collateral. The Indenture and the Paying Agency Agreement will limit the Issuer's activities to the issuance and sale of the Notes, the Preference Shares and ordinary shares, the acquisition and disposition of the Collateral, the acquisition and disposition of, and investment and reinvestment in, the Eligible Investments and the other activities related to the issuance and the sale of the Notes and the Preference Shares described under "The Issuer" herein. The Issuer does not expect to have any significant full recourse liabilities that would be payable out of amounts on deposit in the Preference Shares Collection Account.

4. Nature of the Portfolio Collateral; Ability to Enter Into CDS Transactions; Availability of Funds for Subordinate Payments. The Portfolio Collateral pledged to secure the Notes includes Non-Synthetic Portfolio Collateral and Credit Default Swaps (the Reference Obligations of which are Asset-Backed Securities), which obligations are subject to credit, liquidity and interest rate risk. The amount and nature of collateral securing the Notes has been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Portfolio Collateral. If any deficiencies exceed such assumed levels, however, payment of the Notes and distributions on the Preference Shares could be adversely affected.

The Asset-Backed Securities comprising the Portfolio Collateral are expected to include CMBS Securities, CDO Securities, RMBS Securities, Mid-Prime RMBS Securities, Sub-Prime RMBS Securities and other Asset-Backed Securities and related indices. Asset-Backed Securities are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities.

It is expected that, other than with respect to 3% of the Portfolio Collateral (by Net Obligation Amount), the Portfolio Collateral as of the Effective Date will be rated investment grade as of the date each such item of Portfolio Collateral is added to the Trust Estate. The Portfolio Collateral will include Asset-Backed Securities that are subordinate in right of payment and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets. In addition, the underlying documents for certain of such Asset-Backed Securities provide for deferral of interest payments if shortfalls occur in the pool of assets underlying such Asset-Backed Securities or for the diversion of payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool of assets underlying such Asset-Backed Securities exceeds certain levels or applicable overcollateralization or interest coverage tests are not satisfied without resulting in default or liquidation. As a result of the foregoing, such subordinated Asset-Backed Securities have a higher risk of loss than more senior classes of such securities. Additionally, as a result of the diversion of cash flow to more senior classes, the average life of such subordinated Asset-Backed Securities may lengthen. Subordinated Asset-Backed Securities generally do not have the right to trigger an event of default or vote on or direct remedies following a default until the more senior securities are paid in full. Finally, because subordinated Asset-Backed Securities may represent a relatively small percentage of the size of the asset pool being securitized, the impact of a relatively small loss on the overall pool may be substantial on the individual Asset-Backed Security.

Although the Issuer is permitted to invest in Asset-Backed Securities of certain foreign obligors,

the Issuer may find that, as a practical matter, these investment opportunities or investments in obligations of issuers located in certain countries are not available to it for a variety of reasons, including the limitations imposed by the eligibility criteria in the Indenture.

None of the Portfolio Collateral will be guaranteed or insured by any governmental agency or instrumentality or, except for guaranteed monoline securities, by any other person. Distributions on the Portfolio Collateral will depend solely upon the amount and timing of payments and other collections on the related underlying assets.

In the event of the insolvency of an issuer of an item of Portfolio Collateral, payments made on such item of Portfolio Collateral could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency. Payments made under residential mortgage loans may also be subject to avoidance in the event of the bankruptcy of the borrower.

Any concentration of items of Portfolio Collateral in any one issuer, servicer, Specified Type or other characteristic may expose the Issuer to greater risk than would be the case if the Portfolio Collateral were more diversified, which may affect the Issuer's ability to make payments on the Notes and distributions on the Preference Shares. See "Security for the Notes—Portfolio Collateral" in the Secured Note Offering Circular.

The description of the Portfolio Collateral in the Secured Note Offering Circular and the risks related thereto is general in nature and prospective investors should review the descriptions and risk factors relating to each item of Portfolio Collateral set forth in the underlying disclosure documents, transaction documents and servicing reports, copies of which are available for inspection upon request to the Initial Purchaser. PROSPECTIVE INVESTORS SHOULD ASSESS FOR THEMSELVES THE RISKS INHERENT IN SUCH ITEMS OF PORTFOLIO COLLATERAL.

There may be a limited trading market for the Credit Default Swaps entered into by the Issuer and the other items of Portfolio Collateral, and in certain instances there may be effectively no trading market therefor.

The market value of the Portfolio Collateral will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry, the financial condition of the issuers of the Non-Synthetic Portfolio Collateral and Reference Obligations and the credit quality of the collateral underlying the Non-Synthetic Portfolio Collateral and the Reference Obligations. A decrease in the market value of the Portfolio Collateral would adversely affect the terms on which CDS Transactions are assigned or terminated and the proceeds that could be obtained upon the sale of certain items of Portfolio Collateral and could ultimately affect the ability of the Issuer to effect a Tax Redemption, an Optional Redemption or an Auction Call Redemption, or to pay the principal of the Notes, or to make distributions on the Preference Shares, upon the assignment or termination of the CDS Transactions and the liquidation of the Portfolio Collateral following the occurrence of an Event of Default.

It is expected that the Issuer will acquire all of the Initial Non-Synthetic Portfolio Collateral on the Closing Date from an affiliate of the Initial Purchaser, at prices agreed upon by the Issuer with the advice of the Collateral Manager. The price to be paid by the Issuer for such securities may be higher or lower, based on market conditions at the time of purchase by such affiliate, than the prices the Issuer would have paid had such securities all been purchased on the date such securities were sold to the Issuer. After the Closing Date, the Issuer with the advice of the Collateral Manager may acquire from or through various sources, including the Initial Purchaser, items of Portfolio Collateral at current market prices which will be negotiated by or on behalf of the Issuer at such time. The Indenture does not restrict the ability of the Issuer to invest in Portfolio Collateral on the basis of its market value.

As described in the Secured Note Offering Circular, the Indenture provides that the Collateral Manager and the Issuer will seek to acquire (or commit to acquire) Non-Synthetic Portfolio Collateral with the Deposit and enter into (or commit to enter into) CDS Transactions so that collectively the Net Obligation Amount is at least equal to U.S.$1,000,000,000 (the "**Required Portfolio Collateral Amount**") (without giving effect to any reductions of that amount that may have resulted from scheduled principal payments or principal prepayments made with respect to any of the CDS Transactions or Non-Synthetic Portfolio Collateral on or before the Effective Date) no later than the Effective Date. During the Revolving Period, amounts received or made available in respect of principal or dispositions of items of Portfolio Collateral and deposited or made available in the Principal Account may be used to acquire Additional Portfolio Collateral, subject to satisfaction of the specified criteria. The ability of the Issuer to obtain such Original Portfolio Collateral or Additional Portfolio Collateral (and the rates and other terms thereof) and the terms on which such securities can be obtained and the rates and other terms obtained in connection with the investment of funds in Eligible Investments, may affect the timing and amount of payments received by the Noteholders and the Holders of the Preference Shares. In connection with the assignment or termination of any Credit Default Swap, the Issuer may receive a Trading Gain Payment or may make a Trading Loss Payment. The ability of the Issuer to enter into the Additional Portfolio Collateral (and the rates and other terms thereof which satisfy the criteria described in the Secured Note Offering Circular), as well as the rates and other terms obtained in connection with the investment of funds in Eligible Investments, may affect the timing and amount of payments received by the Noteholders and the Holders of the Preference Shares.

The Credit Default Swaps present risks in addition to those resulting from direct investments in the Reference Obligations. The Issuer will have a contractual relationship only with the Swap Counterparties, and not with the relevant Reference Entities, except upon delivery of a Reference Obligation following the occurrence of a Credit Event. Under the Credit Default Swaps, none of the Issuer, the Trustee, the Collateral Manager, the Holders of the Notes, the Holders of the Preference Shares or any other entity will have any rights to acquire from the Swap Counterparties (or to require the Swap Counterparties to transfer, assign or otherwise dispose of) any interest in any specific obligation of any Reference Entity, unless and until a Credit Event has occurred and a Reference Obligation is delivered to the Issuer. Consequently, the Credit Default Swaps do not constitute a purchase or other acquisition or assignment of any interest in any Reference Obligation or reference entity thereunder and the Issuer will have no direct rights thereunder. In addition, in the event of the insolvency of a Swap Counterparty, the Issuer will be treated as a general creditor of such Swap Counterparty. As a result, the Issuer will be subject to the credit risk of the Swap Counterparties as well as that of the Reference Obligations. The Initial Swap Counterparty is, and one or more Swap Counterparties in the future may be, an affiliate of the Initial Purchaser, which relationship may create certain conflicts of interest. See "—Potential Conflicts of Interest" in the Secured Note Offering Circular.

The Credit Default Swaps are expected to consist of "pay as you go" credit default swaps. The obligation of the Issuer to make payments to a Swap Counterparty under a Credit Default Swap creates credit exposure to the related Reference Obligations (as well as to the default risk of the related Swap Counterparty). Following the occurrence of a Credit Event, the Issuer may be required to pay to the Swap Counterparty an amount equal to the relevant Physical Settlement Amount in return for the Reference Obligation. The payment of any Physical Settlement Amount will be funded by the Issuer by drawing on amounts standing to the credit of the Principal Account, including the UA Collateral Sub-Account, to the extent there are no Eligible Investments in the Principal Account. To the extent the amounts on deposit in the Principal Account and the UA Collateral Sub-Account (and, solely with respect to "Variable Cap" Fixed Rate Shortfall Amounts, the Note Collection Account) have been reduced to zero, the Issuer may fund any "Variable Cap" Fixed Rate Shortfall Amounts, Physical Settlement Amounts, Principal Shortfall Amounts, Trading Loss Payments or Writedown Amounts that are due, by drawing on the Class A-1LA Unfunded Notes, in accordance with the Indenture and the Class A-1LA Revolving Note Purchase

Agreement. In addition, each Credit Default Swap will require the Issuer, in its capacity as protection seller, to pay certain "floating amounts" to the Swap Counterparty equal to any Principal Shortfall Amounts, Writedown Amounts and interest shortfalls under the Reference Obligation upon the occurrence thereof. Although the Swap Counterparty, in its capacity as protection buyer, will be obligated to reimburse all or part of such payments to the Issuer if the Writedown Amounts of the related shortfalls are ultimately paid to holders of the Reference Obligations or if the related Reference Obligations are written up, the amounts available to the Issuer to make payments in respect of the Notes and Preference Shares will be reduced after payment by the Issuer of the relevant payment to the Swap Counterparty until the Issuer receives such reimbursement, if any, from the Swap Counterparty. Under the Credit Default Swaps, a writedown or failure to pay principal in respect of a Reference Obligation will entitle the Swap Counterparty, as protection buyer, to elect whether to require the Issuer to pay a Physical Settlement Amount or a protection payment under the related Credit Default Swap.

The Portfolio Collateral is required to have the characteristics and satisfy the criteria described in the Secured Note Offering Circular under "Security for the Notes—The Portfolio Collateral" and "—Criteria for Additional Portfolio Collateral." However, there is no assurance that such criteria will be satisfied on any date and failure to satisfy any criteria is not an Event of Default under the Indenture.

The ability of the Issuer to purchase or enter into Additional Portfolio Collateral, or to terminate Hedging CDS Transactions or Short CDS Transactions which are hedged by Hedging Short CDS Transactions, is subject to satisfaction of the Collateral Quality Tests and certain other criteria described herein. Under the Indenture, the Collateral Manager will be permitted to select from a table that will be included in the Indenture, called the Collateral Quality Matrix, that provides a different group of thresholds for satisfying or otherwise determining the Collateral Quality Tests. The Co-Issuers and the Trustee may enter into supplemental indentures, upon satisfying the Rating Condition with respect to Moody's, and receiving consent from the Collateral Manager, but without obtaining the consent of any other Person, including any Noteholder or Holder of Preference Shares, in order to add additional rows to the Collateral Quality Matrix (other than in accordance with the definition of "Collateral Quality Matrix" in the Indenture). There is no assurance that any changes to the Collateral Quality Matrix will not have a material effect on the minimum or maximum amounts required to satisfy each of such Collateral Quality Tests.

5. Limited Provision of Information about Reference Entities. Except as described in the Secured Note Offering Circular under "Security for the Notes—The Portfolio Collateral," the Noteholders and the Holders of the Preference Shares will not have the right to obtain from a Swap Counterparty, the Initial Purchaser, the Issuer, the Collateral Manager or any of their affiliates information regarding the Reference Entities, any Reference Obligations or any other obligation of any Reference Entity. Neither the Initial Purchaser nor any of its affiliates will have any obligation to provide information about any Reference Entities or Reference Obligations to the Issuer, the Trustee, the Noteholders or the Holders of the Preference Shares. None of the Issuer, the Trustee, the Collateral Manager, the Swap Counterparty, the Initial Purchaser or any of their affiliates will provide to the Noteholders or the Holders of the Preference Shares any other information on the Reference Entities or any Reference Obligations or the basis on which any payments under the Credit Default Swap will be determined or any other information regarding the Reference Pool. The Swap Counterparties will have no obligation to keep the Issuer, the Trustee, the Noteholders or the Holders of the Preference Shares informed as to matters arising in relation to any Reference Entity or Reference Obligation, including whether or not circumstances exist under which there is a possibility of the occurrence of a Credit Event.

None of the Issuer, the Trustee, the Noteholders or the Holders of the Preference Shares will have the right to inspect any records of a Swap Counterparty or the Reference Entities, and a Swap Counterparty will be under no obligation to disclose any further information or evidence regarding the existence or terms of any obligation of any Reference Entity or any matters arising in relation thereto or

otherwise regarding any Reference Entity, any guarantor or any other person, unless and until a Credit Event has occurred and publicly available information exists in relation to the occurrence of such Credit Event.

The Issuer is not aware of a standardized method for measuring the likelihood of the occurrence of Credit Events. Furthermore, the historical experience of obligors comparable to the Reference Entities may not necessarily be indicative of the risk of Credit Events occurring with respect to the Reference Entities in the Reference Pool.

Investors should consult independent sources as to the condition and creditworthiness of the Reference Entities and the risks associated with an investment in obligations issued or guaranteed by the Reference Entities. Each investor in the Notes and the Holders of the Preference Shares will be deemed to have represented and warranted to the Issuer, the Initial Purchaser, the Collateral Manager and each Swap Counterparty that it has made its own investigation of the condition and creditworthiness of the Reference Entities and has determined that it can bear any loss associated with an investment in the Notes or the Preference Shares, as applicable, as described herein or in the Secured Note Offering Circular.

6. Disposition of Portfolio Collateral by Collateral Manager Under Certain Circumstances. Under the Indenture, the Collateral Manager may only direct the hedging, assignment or termination of CDS Transactions or the disposition of items of Non-Synthetic Portfolio Collateral under certain limited circumstances. More specifically, the Collateral Manager may direct the disposition, hedging, assignment, subject to the written consent of the Swap Counterparty to any assignee, or termination of items of Portfolio Collateral (including Reference Obligations), which meet the definition of Defaulted Portfolio Collateral, Equity Portfolio Collateral, and, subject to satisfaction of the conditions set forth in the Secured Note Offering Circular, Credit Risk Portfolio Collateral or Appreciated Portfolio Collateral as described in the Secured Note Offering Circular under "Security for the Notes—Disposition of Portfolio Collateral" and "The Collateral Management Agreement." Furthermore, so long as the conditions set forth under "Security for the Notes—Disposition of Portfolio Collateral" in the Secured Note Offering Circular are satisfied, the Collateral Manager may direct the hedging, assignment or termination of any Credit Default Swap or the sale of any item of Non-Synthetic Portfolio Collateral with respect to an item of Portfolio Collateral that is not Defaulted Portfolio Collateral, Equity Portfolio Collateral, Credit Risk Portfolio Collateral or Appreciated Portfolio Collateral, *provided* that the aggregate Adjusted Notional Amount of Credit Default Swaps, together with the Aggregate Principal Amount of items of Non-Synthetic Portfolio Collateral, hedged, sold, assigned or terminated during any twelve-month period does not exceed 20% of the Net Obligation Amount included in the Trust Estate on the first day of such period (or 20% of the Required Portfolio Collateral Amount with respect to any period commencing prior to the Effective Date). Furthermore, the Collateral Manager's ability to dispose of Non-Synthetic Portfolio Collateral or hedge, assign or terminate CDS Transactions may be subject to greater restrictions if any Class of Notes is downgraded. See "Security for the Notes—Disposition of Portfolio Collateral" in the Secured Note Offering Circular. **Notwithstanding such restrictions and satisfaction of the conditions set forth in the Indenture, the disposition of items of Non-Synthetic Portfolio Collateral or termination or assignment of Credit Default Swaps by the Collateral Manager could result in losses by the Issuer, which losses may result in the reduction or withdrawal of the rating of any or all of the Notes or the Preference Shares by any of the Rating Agencies.** The Collateral Manager will not be permitted to engage in trading activity on behalf of the Issuer with respect to the Reference Pool or otherwise cause the Issuer to enter into credit default swap transactions with any party other than the Swap Counterparty, other than as described in the Secured Note Offering Circular. In addition, circumstances may exist under which the Collateral Manager may believe that it is in the best interests of the Issuer to dispose of items of Portfolio Collateral, but the Issuer will not be permitted to do so under the restrictions and conditions of the Indenture.

7. Short CDS Transactions. Under each Short CDS Transaction, the Issuer will be required to pay to the related Swap Counterparty a Short CDS Transaction Fixed Rate and such Swap Counterparty will be required to pay Physical Settlement Amounts to the Issuer following the occurrence of a credit event under such Short CDS Transaction specified in the related Master Agreement and Confirmation. To the extent a Short CDS Transaction Fixed Rate is due to a Swap Counterparty that owes the Issuer a Fixed Rate Counterparty Payment, the amount of such Fixed Rate Counterparty Payment will be reduced by any Short CDS Transaction Fixed Rate which will, in turn, reduce the amounts available to make payments on the Notes and distributions on the Preference Shares. If the Short CDS Transaction Fixed Rate due to a Swap Counterparty exceeds the Fixed Rate Counterparty Payment due from such Swap Counterparty (or is due to a Swap Counterparty that does not owe the Issuer a payment), the Issuer will pay such amount from amounts on deposit in the Note Collection Account. If the actual levels of credit events on Short CDS Transactions occur less frequently or later than anticipated at the time entered into, the Issuer will be obligated to continue making Short CDS Transaction Fixed Rate payments to the Swap Counterparty and the payment in respect of the Notes and the Preference Shares may be adversely affected.

8. Early Termination of Credit Default Swaps. In certain circumstances, a Credit Default Swap may be terminated early as a result of an Event of Default or Termination Event thereunder. If so, the "Market Quotation" and "Second Method" will apply, as set forth in the related Master Agreement, to value such Credit Default Swap. There can be no assurance that, upon such early termination by the Issuer or the Swap Counterparty, either that the Swap Counterparty would be required to make any termination payment to the Issuer or that, if it did make such a payment, the amount of the termination payment made by the Swap Counterparty would be sufficient to pay any amounts due in respect of the Notes. If the Issuer is required to make a termination payment to the Swap Counterparty, such termination payment may be substantial and may result in losses to the Noteholders and the Holders of the Preference Shares. If a Master Agreement and the Credit Default Swaps thereunder are terminated and the Issuer is unable to enter into new Credit Default Swaps, the Issuer will no longer receive payments from the related Swap Counterparty and may have insufficient funds to make payments when due on the Notes and may have insufficient funds to redeem the Notes in full, which would adversely affect payments to the Holders of the Preference Shares. See "Security for the Notes—Early Credit Default Swap Termination" as described in the Secured Note Offering Circular.

9. Early Termination of Total Return Swap. The TRS Swap Counterparty will have the option, exercisable in its sole discretion, to terminate any Transaction, in whole or in part, under the Total Return Swap affected by a Voting Rights Event, an Underlying Asset Withholding Event or a Credit Enhancement Event. In addition, the TRS Swap Counterparty or the Issuer, each in its sole discretion, may terminate all of the Transactions under the Total Return Swap if the aggregate outstanding principal amount of all such Transactions is less than U.S.$20,000,000. In addition, the TRS Swap Counterparty may terminate all of the Transactions under the Total Return Swap if a Voting Rights Event occurs three times. See "Security for the Notes—The Total Return Swap—Optional Termination" as described in the Secured Note Offering Circular. In the event of a partial or full termination of the Total Return Swap or Transactions thereunder and the failure by the TRS Swap Counterparty to perform its payment obligations under the Total Return Swap, the Issuer would be exposed to a risk of loss on the sale of an Underlying Asset on each subsequent date on which the Issuer liquidates any Underlying Asset in the Principal Account (including the UA Collateral Sub-Account) in order to pay the principal amount of the Notes. If the TRS Swap Counterparty or the Issuer terminates the Total Return Swap or Transactions thereunder, in part or in whole, the Issuer may be required to invest in Eligible Investments, which may yield less than LIBOR *minus* 0.01%. The Issuer may attempt to enter into a TRS Replacement Agreement, but there can be no assurance that the Issuer will be able to enter into a TRS Replacement Agreement or that any such TRS Replacement Agreement will yield LIBOR *minus* 0.01%. As a result, the termination of the Total Return Swap or Transactions thereunder (in whole or in part) is likely to

result in a reduction of the Collateral Interest Collections that would otherwise be available to pay expenses of the Issuer and interest on the Notes, which could adversely affect payments to the Holders of the Preference Shares. In addition, as further described in the Secured Note Offering Circular, in connection with a failure to deliver an Underlying Asset by the Issuer on a Termination Date, the Issuer will be required to pay the TRS Swap Counterparty an amount equal to the TRS Swap Counterparty's loss in respect of such failed delivery.

10. Credit Exposure to Underlying Assets. In certain circumstances, such as a failure by the TRS Swap Counterparty to perform its payment obligations under the Total Return Swap, the Noteholders may be exposed to the credit risk of the Underlying Assets and the risk that, upon liquidation, the proceeds of the Underlying Assets will be less than their par or principal amount. After the Closing Date, the TRS Swap Counterparty will have the right under the Total Return Swap to direct the Issuer to exchange all or any portion of the Underlying Assets for Underlying Assets rated "AAA" or "A-1+" by Standard & Poor's and "Aaa" or "P-1" by Moody's. The TRS Swap Counterparty also may terminate the Total Return Swap or certain Transactions thereunder, either in whole or with respect to specific Underlying Assets, in which event the Issuer may be exposed to both the credit risk of that asset and the risk that, upon liquidation, the proceeds of an Underlying Asset will be less than its initial price.

This Offering Circular does not provide detailed information with respect to the Underlying Assets or with respect to any rights or obligations, legal, financial or otherwise, arising thereunder. Any information concerning the Underlying Assets or the issuer thereof that is set forth herein is based upon publicly available sources, has not been independently checked or verified by the Initial Purchaser, the Swap Counterparties, the TRS Swap Counterparty, the Collateral Manager, the Trustee, the Co-Issuers or anyone else, and does not purport to be complete or to include information which may be material to a prospective investor in the Preference Shares. Prospective purchasers of the Preference Shares are urged to undertake their own investigation of these and other matters relating to the Underlying Assets.

11. Tax Considerations Relating to Total Return Swap. It is possible that the U.S. Internal Revenue Service may treat the Total Return Swap as debt of MLI for U.S. Federal income tax purposes. Assuming such treatment and *provided* that MLI does not own any equity (for U.S. Federal income tax purposes) in the Issuer, it is generally expected that payments received by the Issuer on the Total Return Swap will not be subject to withholding taxes imposed by the United States.

The TRS Swap Counterparty and the Issuer have agreed to treat the Total Return Swap as notional principal contracts. However, because of the Issuer's and the TRS Swap Counterparty's rights under the Total Return Swap, it is possible that the IRS could recharacterize the Total Return Swap as other than the parties' agreed treatment of the same, including treating the Issuer as purchasing a credit linked note issued by the TRS Swap Counterparty. Any such recharacterization, if successful, could alter the timing or character of the Issuer's income and deductions that could affect U.S. holders of the Preference Shares. Prospective U.S. holders of Preference Shares should consult with their tax advisors as to the consequences of such possible recharacterization.

The imposition of withholding or other taxes on payments under the Total Return Swap could result in a Tax Event or a Swap Counterparty Tax Event (as each such term is defined in the Total Return Swap).

12. Restrictions on Transfer. The Preference Shares have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or under any U.S. 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. The Preference Shares are extremely illiquid. There is no market for the Preference Shares offered hereby (and none is likely to develop) and, as a result, a Holder of the Preference Shares may find it difficult or uneconomic to liquidate its investment at any

particular time. In addition, there are restrictions on transfer of the Preference Shares. See "Description of the Preference Shares—Restrictions on Transfer" herein.

13. The Issuer. The Issuer is a recently formed company and has no significant prior operating history. The Issuer has no significant assets other than the Collateral. The Issuer will not engage in any business activity other than the co-issuance of the Notes (other than the Class B-3L Notes) and the issuance of the Class B-3L Notes, the Class P1 Combination Notes and the Preference Shares and the ordinary shares as described herein, entering into and performing its obligations under, hedging, assigning and terminating the Credit Default Swaps and the Total Return Swap, entering into, performing its obligations under, the Class A-1LA Revolving Note Purchase Agreement and the Senior Prepaid Swap Agreements, acquiring, investing, disposing and reinvesting in items of Non-Synthetic Portfolio Collateral, Underlying Assets and Eligible Investments, certain activities conducted in connection with the payment of amounts in respect of the Notes, the Class P1 Combination Notes and the Preference Shares and the management of the Collateral and other activities set forth in the Indenture and the other transaction documents incidental to the foregoing, including the ownership of 100% of the stock of the Co-Issuer. Income derived from the Collateral will be the Issuer's principal source of cash. The Issuer is an exempted company incorporated with limited liability under the laws of the Cayman Islands. Because the Issuer is a Cayman Islands company and its directors reside in the Cayman Islands, it may not be possible for investors to effect service of process within the United States on such persons or to enforce against them or against the Issuer in United States courts judgments predicated upon the civil liability provisions of the United States securities laws. None of the directors, security holders, members, officers or incorporators of the Co-Issuers, the Collateral Manager, any of their respective affiliates or any other person or entity (other than the Issuer) will be obligated to make payments on the Notes or the Preference Shares.

14. Potential Conflicts of Interest. For a description of certain conflicts of interest with respect to the Collateral Manager, the Initial Purchaser and their respective affiliates, see "Risk Factors–Potential Conflicts of Interest" in the Secured Note Offering Circular.

15. Rating of the Preference Shares. The rating of the Preference Shares by Moody's address the ultimate cash receipt of $43,000,000 (the "**Preference Shares Stated Amount**") as provided by the governing documents, and is based on the expected loss to the Holders of the Preference Shares relative to the promise of receiving the present value of such payments. A rating is not a recommendation to purchase, hold or sell securities, in as much as such rating does not comment as to market price or suitability for a particular investor and may be subject to revision or withdrawal at any time by the assigning rating organization. The identity of the ultimate obligors under the Eligible Investments and Underlying Assets in the Principal Account, and their ratings, will likely affect the ratings of the Preference Shares. A downgrade or withdrawal of a rating by Moody's is likely to have an adverse effect on the market value of the Preference Shares, which effect could be material.

16. Certain Tax Considerations. Investors in the Preference Shares should review carefully the tax considerations set forth in "Certain Tax Considerations" and "Cayman Islands Taxation" herein.

17. Certain ERISA Considerations. Investors in the Preference Shares should review carefully the ERISA considerations set forth in "Certain ERISA Considerations" herein.

18. 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 Issuer to enact anti-money laundering policies. It is possible that the Treasury will promulgate regulations requiring the Co-Issuers or the Initial Purchaser or other service providers to the Co-Issuers, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the Notes and/or the Preference Shares. Such legislation and/or regulations could require the Co-Issuers to implement additional restrictions on the transfer of the Notes and/or the Preference Shares. As may be required, the Issuer reserves the right to request such information and take such actions as are necessary to enable it to comply with the USA PATRIOT Act.

19. Emerging Requirements of the European Union. As part of the harmonization of transparency requirements, the European Union has adopted a directive known as the Transparency Directive 2004/109/EC that, among other things, will regulate issuers of securities that are offered to the public or admitted to trading on a European Union regulated market. The listing of Preference Shares on any European Union stock exchange would subject the Issuer to regulation under this directive, although the requirements applicable to the Issuer are not yet fully clarified. The Indenture will not require the Issuer to apply for, list or maintain a listing for any Class of Notes or the Preference Shares on a European Union stock exchange if compliance with this directive (or other requirements adopted by the European Commission or a relevant member state) becomes burdensome in the sole judgment of the Collateral Manager. Should the Preference Shares be delisted from any exchange, the ability of the Holders of such Preference Shares to sell such Preference Shares in the secondary market may be negatively affected.

THE ISSUER

The issuer of the Preference Shares is Webster CDO I, Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "**Issuer**"). The Issuer has been established to acquire and manage a diversified portfolio of Credit Default Swaps and Non-Synthetic Portfolio Collateral related to Asset-Backed Securities, as more fully described in the Secured Note Offering Circular. See "Security for the Notes" in the Secured Note Offering Circular. The capital structure of the Issuer will consist of U.S. $43,250 divided into 250 ordinary shares of par value U.S. $1.00 each and 43,000,000 Preference Shares of U.S. $0.001 par value each and U.S.$957,000,000 aggregate principal amount of the Notes. The activities of the Issuer will be limited to (i) entering into the Indenture and issuing the Notes, which are secured by the CDS Transactions, the Short CDS Transactions, the Hedging Short Transactions and the Hedging CDS Transactions (collectively the "**Credit Default Swaps**"), items of Non-Synthetic Portfolio Collateral, the Total Return Swap and other Collateral pledged by the Issuer under the Indenture, (ii) the issuance of the Class P1 Combination Notes, (iii) the issuance of the Preference Shares, (iv) entering into, performing its obligations under, hedging, assigning and terminating the Credit Default Swaps, (v) acquiring, disposing, investing and reinvesting in items of Non-Synthetic Portfolio Collateral and Eligible Investments, (vi) entering into the Senior Prepaid Swap, (vii) entering into and performing its obligations under the Collateral Management Agreement and (viii) other activities set forth in the Indenture and the other transaction documents and other activities incidental to the foregoing, including the ownership of 100% of the stock of the Co-Issuer. For a more complete discussion of the Issuer, see "The Issuer and the Co-Issuer" in the Secured Note Offering Circular.

DESCRIPTION OF THE PREFERENCE SHARES

General

The Issuer will issue 43,000,000 Preference Shares, par value U.S. $0.001 per share (the "**Preference Shares**"). Subject to the restrictions set forth in the Paying Agency Agreement referred to below and those under Cayman Islands law, the Preference Shares will be entitled to all distributions

made from the Collateral after payment of all prior amounts in accordance with the priority of payments set out in the Indenture and more fully described in the Secured Note Offering Circular.

The Preference Shares will be issued pursuant to the Articles of Association of the Issuer (the "**Articles**") and certain resolutions of the Board of Directors of the Issuer passed on or prior to the issue of the Preference Shares as memorialized in the board minutes relating thereto (the "**Resolutions**") and distributions made thereon will be made pursuant to the Paying and Transfer Agency Agreement, to be dated as of the Closing Date (the "**Paying Agency Agreement**"), between the Issuer and LaSalle Bank National Association, as the Paying and Transfer Agent thereunder (in such capacity, the "**Paying Agent**"). The Notes will be issued pursuant to the Indenture.

The assets of the Issuer are expected to be limited to the Collateral having the characteristics described in the Secured Note Offering Circular under "Security for the Notes" and the Trust Estate described therein, all of which, pursuant to the Indenture, will be pledged to secure the Notes. The Preference Shares are entitled to receive distributions only to the extent monies are released therefor from the lien of the Indenture, as described herein and in the Secured Note Offering Circular, and distributions are only payable out of profits of the Issuer or its share premium, being the difference between the issue price for the shares and their par value, and to the extent that the Issuer is able to pay its debts as they fall due in the ordinary course of business immediately following such payments.

Form and Denomination

Except with respect to the Initial Purchaser, the minimum number of Preference Shares that may be purchased or transferred will be 100,000 and integral multiples of 1 share in excess thereof.

Upon issuance, the Preference Shares sold to Non-U.S. Persons (as defined in Regulation S) under the Securities Act (each, a "**Non-U.S. Person**") in Offshore Transactions (as defined in Regulation S) in reliance on Regulation S, initially will be represented by one or more permanent physical share certificates in fully registered definitive form (each a "**Global Preference Share**"), which will be deposited with a common depository on behalf of Euroclear Bank S.A./N.V., as operator of The Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**").

Subject to the receipt by the Paying Agent of a certificate in the form similar to the one provided by the Paying Agency Agreement from the person holding such interest, a beneficial interest in each Global Preference Share may be transferred prior to the expiration of a one-year period beginning on the later of the Closing Date or on the day on which the offer of the Preference Shares is completed (the **"Distribution Compliance Period"**), only to (i) a Non-U.S. Person who certifies that it is not a U.S. Person and is not acquiring an interest in the Global Preference Share for the account or benefit of any U.S. Person or (ii) after the Distribution Compliance Period, to a U.S. Person who certifies that it is a qualified institutional buyer (a "**Qualified Institutional Buyer**") as defined in Rule 144A under the Securities Act, and in each case only to a purchaser who is also a "qualified purchaser" within the meaning of Section 3(c)(7) of the Investment Company Act, but only if such purchaser takes in the form of a Restricted Preference Share (as defined below) registered in the name of such person.

Subject to the receipt by the Paying Agent of a certificate in the form similar to the one provided by the Paying Agency Agreement from the person holding such interest, a Holder of a Restricted Preference Share (as such term is defined below) who is a U.S. Person may at any time transfer its interest in such Preference Share only (a) to a Non-U.S. Person pursuant to Regulation S or (b) to a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act, in each case in transactions not requiring registration under the Securities Act, and in each case only to a transferee who is also a "qualified purchaser" within the meaning of Section 3(c)(7) of the Investment Company Act.

Upon deposit of the certificate representing the Global Preference Shares with the common depository, Euroclear or Clearstream, as the case may be, will credit each purchaser (or its agent or custodian) with the number of Preference Shares for which it has paid. The Holder of the Global Preference Share will be the only entity entitled to receive payments in respect of the Preference Shares represented by such Global Preference Share, and the Issuer will be discharged by payment to, or to the order of, the Holder of such Global Preference Shares in respect of each amount so paid. Each of the persons shown in the records of Euroclear as the beneficial holder of Global Preference Shares must look solely to Euroclear, for its share of each payment so made by the Issuer to, or to the order of, the Holder of such Global Preference Shares. No person other than the Holder of the Global Preference Shares shall have any claim against the Issuer in respect of any payments due on the Global Preference Shares.

Payments on the Global Preference Shares will be made pursuant to certain procedures established between the Paying Agent, the common depository, Euroclear and Clearstream, as the case may be. All such payments will be made by a United States dollar check drawn on a United States dollar account maintained by a bank located outside the United States, or, at the request of any Holder, by wire transfer to a United States dollar account maintained by such Holder with a bank outside the United States.

Global Preference Shares will, for purposes of trading within Euroclear or Clearstream, have a notional issue price equal to U.S. $1 for each Preference Share.

Definitive Preference Share certificates, in fully registered form (**"Definitive Preference Shares"**) will be issued and exchanged for each Global Preference Share within 30 days of the occurrence of any of the following: (i) either Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Paying Agent is available, (ii) as a result of any amendment to, or change in, the laws or regulations of Cayman Islands or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or the Paying Agent are or will be required to make any deduction or withholding from any payment in respect of the Preference Shares which would not be required were the Preference Shares in definitive registered form, or (iii) the Issuer so elects by notice to the Holders of the Preference Shares in accordance with the Paying Agency Agreement and Euroclear or Clearstream, as applicable, does not object.

The Preference Shares sold in the United States to Qualified Institutional Buyers who are U.S. Persons will be represented, on issue, by definitive fully registered Preference Share certificates bearing the appropriate legend ("**Restricted Preference Shares**").

Payments on the Definitive Preference Shares and Restricted Preference Shares will be made pursuant to certain procedures established by the Paying Agent. All such payments on such Preference Shares will be made by a United States dollar check drawn by the Paying Agent on a United States dollar account maintained by the Paying Agent or, at the request of any Holder of such Preference Share, by wire transfer to a United States dollar account maintained by such Holder.

Under the terms of the Paying Agency Agreement, the Paying Agent will be the initial paying agent with respect to the Preference Shares. Payments of dividends on the Preference Shares and redemption payments will be made from funds available in the Collection Account and released to the Paying Agent by the Trustee under the Indenture and dividends will only be payable if the Issuer has sufficient distributable profits and/or share premium. All interest and principal payments on the Collateral will be deposited directly into the Collection Account and, together with any reinvestment income thereon, will be available for payments first to certain expenses and the Notes and then to the Preference Shares to the extent that the Issuer is and remains solvent after such payments are made.

Under Cayman Islands law, a company is generally deemed to be solvent if it is able to pay its debts as they fall due.

Status of Preference Shares

The Preference Shares are part of the share capital of the Issuer and, as such, their entitlement is limited to the assets of the Issuer after payment of all liabilities ranking ahead of them according to the Articles and at law.

The Articles, in conjunction with the Resolutions, provide for payments of dividends and capital on redemption of the Preference Shares and any payments on liquidation of the Issuer to rank after payments due on the Notes and, except as described in the Secured Note Offering Circular under "Description of the Notes—Payments on the Notes; Priority of Distributions," after the payment of fees and expenses.

The Preference Shares are entitled to receive the Excess Cash Flow. As a matter of Cayman Islands law, on a liquidation of the Issuer, the Holders of the Preference Shares will rank after all other creditors, both secured and unsecured, of the Issuer and holders of the ordinary shares.

Distributions

On each Payment Date and on the Final Maturity Date, the Paying Agent, on behalf of the Issuer, will be entitled to receive from the Trustee (for payment to the Holders of the Preference Shares as a dividend or, on the Final Maturity Date, to pay a dividend and to redeem the Preference Shares pursuant to the Paying Agency Agreement and in accordance with the Articles and subject to the aforementioned restrictions on payment of dividends and redemption payments imposed under Cayman Islands law) all cash remaining after payment by the Trustee of all distributions which take priority over payments to the Issuer described in detail in the Secured Note Offering Circular under "Description of the Notes—Payments on the Notes; Priority of Distributions," if any, from the Collection Account (such remaining cash, if any, the "**Excess Cash Flow**").

For purposes of the Paying Agency Agreement, a "**Business Day**" shall mean any day that is a 'Business Day' as defined in the Indenture, and that is not a day on which commercial banking institutions in the city in which the Paying Agent or the Transfer Agent is located are authorized or obligated by law or executive order to be closed.

Payments of Dividends on Preference Shares; Preference Shares Redemption

The Articles, in conjunction with the Resolutions, will provide for the payment of dividends on the Preference Shares, without requiring any declaration by the board of directors, on each Payment Date through and including the Final Maturity Date, commencing on the first Payment Date. Such payment of dividends on each Payment Date will be in an amount equal to all Excess Cash Flow, if any, for such Payment Date less, with respect to the Final Maturity Date, such part of the Excess Cash Flow paid to redeem the Preference Shares on such date. Such dividends, if any, will be paid on each Payment Date other than the Final Maturity Date to the Holders of the Preference Shares in whose names the Preference Shares are registered at the close of business on the Record Date for such Payment Date.

No redemption of the Preference Shares will be made from the Collateral until the Notes are paid in full. Upon payment of the Notes in full and subject to the aforementioned restrictions on payment of dividends and redemption payments imposed under Cayman Islands law, all Excess Cash Flow attributable to Adjusted Collateral Principal Collections will be paid to the Holders of the Preference Shares as dividends on and, with respect to the Final Maturity Date, as the redemption price on

redemption of the Preference Shares. The Preference Shares are not subject to redemption at the option of the Holders thereof. See "Description of the Preference Shares—Termination of Trust Estate."

Payments of dividends and the redemption price on redemption of the Preference Shares will be made pro rata to registered Holders of Preference Shares according to the number of Preference Shares held. The payment of dividends on the Preference Shares is subject to the Issuer having sufficient distributable profits and/or share premium (being the difference between the par value of the Preference Shares and their issue price) of the Preference Shares out of which to pay such amounts and, in the case of a payment from share premium or a payment upon redemption of the Preference Shares, the Issuer being able to pay its debts as they fall due in the ordinary course of its business.

Events of Default

The Secured Note Offering Circular describes those circumstances that would constitute an Event of Default under the Indenture. See "Legal Structure—The Indenture—Events of Default" in the Secured Note Offering Circular.

If an Event of Default under the Indenture should occur and be continuing with respect to the Notes, the Trustee may, with the consent of the Requisite Noteholders, and shall upon the occurrence of certain Events of Default or, for any Event of Default, at the written direction of the Requisite Noteholders, declare the principal of the Notes to be immediately due and payable. Such declaration may under certain circumstances be rescinded by the Trustee with the consent of the Requisite Noteholders or at the written direction of the Requisite Noteholders. As long as any Notes are outstanding, if an Event of Default under the Indenture should occur, the Holders of such Notes will be entitled to determine the remedies to be exercised under the Indenture. Remedies pursued by the Holders of the Notes would likely adversely affect the interests of the Holders of the Preference Shares. If an Event of Default occurs and is continuing due to the declaration of an "Early Termination Date" under the Master Agreement (a) by the Swap Counterparty, (b) by the Issuer at the direction of the Majority Noteholders (treated as a single class for this purpose) or (c) by the Issuer upon the occurrence of an "Event of Default" under Section 5(a)(i) (Failure to Pay or Deliver) of the Master Agreement (each as defined in the Master Agreement), the Trustee shall automatically commence a sale or liquidation of the Trust Estate (other than any Credit Default Swaps that the affected Noteholders have elected not to terminate in connection with an Event of Default under Section 5(a)(i) (Failure to Pay or Deliver) of the Master Agreement) in accordance with the provisions of the Indenture.

Exchange and Transfer

The Issuer shall maintain, or cause to be maintained, at a specified office a share register (the "**Share Register**").

The Issuer will appoint a transfer agent (the "**Transfer Agent**"), at which office a Holder of a Definitive Preference Share may surrender such Preference Share certificate for registration of transfer as described below. The Issuer has initially appointed the Paying Agent to act as Transfer Agent. The Issuer may at any time terminate the appointment of a Transfer Agent and appoint additional or other Transfer Agents. Notice of such termination or appointment and of any change in the specified office of a Transfer Agent will be provided in the manner described below in "—Notices."

The costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing provisions, except for the expense of delivery by other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax or other governmental charge or insurance charges that may be imposed in connection with any registration of transfer or exchange of any Preference Shares, will be borne by the Issuer.

A beneficial interest in a Global Preference Share may only be transferred to (a) a Non-U.S. Person in an offshore transaction (as defined in Regulation S) (an "**Offshore Transaction**") in accordance with Regulation S (and in accordance with certain certification requirements in the Paying Agency Agreement) or (b) after the Distribution Compliance Period, to a person who takes delivery in the form of a Definitive Preference Share and delivers a written certification (in the form provided in the Paying Agency Agreement) to the effect that such person is a Qualified Institutional Buyer and is acquiring such interest for its own account (together with certain other requirements set forth in the Paying Agency Agreement) and is a Qualified Purchaser. Upon any exchange of any number of Preference Shares represented by a Global Preference Share for a Definitive Preference Share, the Paying Agent shall surrender the certificate representing the Global Preference Share to the Issuer for cancellation and the Issuer shall issue a new certificate for the reduced number of Preference Shares represented by the Global Preference Share and a new certificate in respect of the Definitive Preference Share. The Issuer shall cause the Share Register to be updated accordingly.

Definitive Preference Shares and Restricted Preference Shares (or any interest therein) may only be transferred in accordance with the applicable laws of any State of the United States and (a) in a transaction exempt from the registration requirements of the Securities Act involving a Qualified Institutional Buyer who is a U.S. Person as transferee and is a Qualified Purchaser (in accordance with the certification requirements of the Paying Agency Agreement) or (b) to a person who takes delivery in the form of a beneficial interest in a Global Preference Share and in such case only upon receipt by the Paying Agent of a written certification from the transferor (in the form provided in the Paying Agency Agreement) to the effect that such transfer is being made to a Non-U.S. Person in accordance with Regulation S. Upon any exchange of a Definitive Preference Share for a beneficial interest in a Global Preference Share, the Paying Agent shall surrender the Definitive Preference Share certificate and the Global Preference Share certificate to the Issuer for cancellation and the Issuer shall issue the Paying Agent with a new certificate for the Global Preference Shares reflecting the increased number of Preference Shares represented thereby. The Issuer shall cause the Share Register to be updated accordingly.

Upon surrender for registration of transfer of any Definitive Preference Share at the office of the Paying Agent, the Paying Agent, subject to and in accordance with the terms of the Paying Agency Agreement, will deliver in the name of the designated transferee or transferees, or (in the case of a partial transfer) the registered Holder, one or more new certificates representing the registered Definitive Preference Shares certificates. Every registered Preference Share presented or surrendered for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Paying Agent, duly executed by the registered Holder thereof or its attorney duly authorized in writing.

Preference Share certificates issued upon any exchange or transfer will be delivered at the office of the Paying Agent or mailed, at the request, risk and expense of the Holder, to the address reflected for such Holder in the register or such other address as such Holder shall request. No service charge (other than any cost of delivery) shall be made for any registration of transfer or exchange of Preference Shares, but the Issuer may require payment from the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

During the period of 15 days preceding any date fixed for payment of dividends on or redemption of the Preference Shares, the Issuer shall not be required to register the transfer of or to exchange any Preference Shares.

Prescription

Payments in respect of the Preference Shares will cease to be due if not paid to the Holder due to insufficient instructions for a period of twenty years from the Relevant Date therefor. "**Relevant Date**" means the Final Maturity Date, except that if the full amount payable on the Notes has not been duly received by the Trustee or Paying Agent on or prior to the Final Maturity Date, the "**Relevant Date**" shall be the date on which such monies have been so received.

Restrictions on Transfer

The Preference Shares have not been registered under the Securities Act, the securities laws of any state of the United States or the securities laws of any other jurisdiction, and are being issued and sold in reliance upon exemptions from registration provided by such laws. There is no market for the Preference Shares being offered hereby and, as a result, a purchaser must be prepared to hold the Preference Shares for an indefinite period of time. No Preference Shares may be sold or transferred unless such sale or transfer (i) is exempt from the registration requirements of the Securities Act (for example, in reliance on exemptions provided by Rule 144A or Regulation S under the Securities Act) and other applicable securities laws, (ii) satisfies the transfer restrictions described in "Certain ERISA Considerations" herein, (iii) does not cause the Issuer or the pool of Collateral to become subject to the registration requirements of the Investment Company Act, including by selling or otherwise transferring the Preference Shares to a purchaser or other transferee (other than a Non-U.S. Person) which is not a "qualified purchaser" within the meaning of Section 3(c)(7) of the Investment Company Act, and (iv) otherwise fully complies with the Articles. The Preference Shares may not be sold or transferred to any Plan, to any person acting on behalf of or with "plan assets" of any Plan, or to any other Benefit Plan Investor other than as described herein under "Certain ERISA Considerations."

Priority of Distributions

On each Payment Date, the Issuer will be entitled to receive any Excess Cash Flow as described in detail in the Secured Note Offering Circular under "Description of the Notes—Payments on the Notes; Priority of Distributions." Subject to the restrictions set forth in the Paying Agency Agreement and those under Cayman Islands law, Excess Cash Flow will be applied to fund distributions to the Holders of the Preference Shares.

Termination of Trust Estate

Upon payment in full of the Notes, the Trust Estate will be liquidated in whole. Any amounts realized from any such liquidation, after payment of any amounts due and payable under the Indenture, will be distributed in accordance with the provisions of the Paying Agency Agreement.

The Issuer is permitted to exercise an Auction Call Redemption or an Optional Redemption in accordance with the requirements of the Indenture.

Modification of Paying Agency Agreement and the Indenture

Without the consent of any Holders of Preference Shares (but with the consent of the Collateral Manager if any supplemental agreement would reduce its rights or increase its obligations under the Collateral Management Agreement), the Issuer and the Paying Agent, at any time and from time to time, may enter into one or more agreements supplemental to the Paying Agency Agreement for any of the following purposes: (a) to evidence the succession of a successor entity to the Issuer and the assumption by any such successor of the covenants of the Issuer therein and in the Preference Shares; (b) to take any action deemed reasonably necessary by the Issuer to prevent the reduction of dividends payable on the Preference Shares as a result of imposition of any taxes; (c) to evidence and provide for the acceptance of appointment thereunder by a successor Paying Agent with respect to the Preference Shares; (d) to correct any manifest error with respect to any provision therein; (e) to cure any ambiguity, correct or supplement

any provision therein which may be inconsistent with any other provision thereunder, or to make any other provisions with respect to matters or questions arising therein; or (f) to take any action necessary or helpful to prevent the Issuer from being subject to any withholding or other taxes, fees or assessments or to reduce the risk that the Issuer or the Paying Agent, as applicable, will be engaged in a United States trade or business or otherwise subject to United States income tax on a net income basis; *provided* that in each case that such action will not adversely affect the interests of the Holders of Preference Shares in any material respect.

With the consent of the Majority Preference Shareholders affected by a supplemental agreement or agreement referred to below, the Issuer and the Paying Agent (and with the consent of the Collateral Manager, if any supplemental agreement would reduce its rights or increase its obligations under the Collateral Management Agreement) may enter into an agreement or agreements supplemental to the Paying Agency Agreement for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Paying Agency Agreement or of modifying in any manner the rights of the Holders of Preference Shares under such agreement; *provided* that no such supplemental agreement will, without the consent of the Holder of each outstanding Preference Share affected thereby: (a) change the method or methods by which dividends will be determined for any Preference Share or reduce the par value thereof or change the coin or currency in which such amounts are, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof; or (b) reduce the percentage amount of the outstanding Preference Shares, the consent of whose Holders is required for any such supplemental agreement, or the consent of whose Holders is required for any waiver of compliance with certain provisions of such agreement or certain defaults thereunder and their consequences provided for in such agreement; or (c) modify any of the provisions of the Paying Agency Agreement relating to the modification thereof, except to increase any such percentage or to provide that certain other provisions of such agreement cannot be modified or waived without the consent of the Holder of each outstanding Preference Share affected thereby.

In addition, as described in the Paying Agency Agreement, without the consent of at least 66-2/3% of the Holders of the Preference Shares materially and adversely affected thereby, the Issuer will not be permitted to enter into any supplemental indenture that would (i) change the maturity of the principal of or interest on 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 or Preference Share, (ii) reduce the percentage of Holders of Notes or of Preference Shares whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture, (iii) materially impair or materially adversely affect the Trust Estate securing the Notes, (iv) permit the creation of any lien ranking prior to or on parity with the lien of the Indenture with respect to any part of the Trust Estate or terminate the lien of the Indenture, (v) reduce the percentage of Holders of Notes or of Preference Shares whose consent is required to direct the Trustee to liquidate the Trust Estate, (vi) 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 Outstanding 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 adversely affected thereby, (vii) modify the provisions thereof relating to priority of distributions or subordination or the definition therein of the terms "Holder," "Noteholder," "Class A-1LA Noteholder," "Majority Noteholders," " Majority Class A-1LA Noteholders," "Majority Preference Shareholders," "Outstanding," "Requisite Noteholders" or "Supermajority of Noteholders", (viii) modify any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of principal of or interest on or other amount in respect of any Note or any payment to the Issuer for distribution to the Holders of the Preference Shares or to affect the right of the Holders of Notes to the benefit of any provisions for the redemption of such Notes contained therein, (ix) modify any provision relating to the institution of proceedings for the Issuer or the Co-Issuer to be adjudicated as bankrupt or insolvent or (x)

amend any provision that provides that the obligations of the Issuer or the Co-Issuer are limited-recourse obligations.

Governing Law

The Notes, the Indenture and the Paying Agency Agreement will be governed by and construed in accordance with the laws of the State of New York. The rights attached to the Preference Shares as set forth in the Articles will be governed by Cayman Islands law. The Issuer will irrevocably submit to the federal court sitting in the City and County of New York over any suit, action or proceeding arising out of or relating to any of the Notes, the Indenture and the Paying Agency Agreement.

THE COLLATERAL MANAGER

Vanderbilt Capital Advisors, LLC (the "**Collateral Manager**"), will manage the Portfolio Collateral and perform certain other reporting functions pursuant to a collateral management agreement with the Issuer (the "**Collateral Management Agreement**"). For a description of the Collateral Manager, see "The Collateral Manager" in the Secured Note Offering Circular.

THE COLLATERAL MANAGEMENT AGREEMENT

As further described in the Secured Note Offering Circular, pursuant to the Collateral Management Agreement, the Requisite Noteholders and, for so long as no Event of Default has occurred and is continuing, the Holders of at least 66-2/3% of the Preference Shares, shall have the right to remove the Collateral Manager with cause, upon 10 days' prior written notice. Voting rights with respect to any Preference Shares held by an Affiliate of the Collateral Manager may be voted with respect to the removal of the Collateral Manager by a majority of the independent directors of such Affiliate, determined in accordance with governance documents of such Affiliate. The Collateral Manager will be required pursuant to the Collateral Management Agreement to provide to the Trustee information relating to such directors, necessary for the Trustee to make any such determination. For a description of the Collateral Management Agreement and the rights of the Holders of the Preference Shares thereunder, see "The Collateral Management Agreement" in the Secured Note Offering Circular.

ASSETS OF THE ISSUER

For a description of the assets of the Issuer, including a description of the criteria for the purchase or substitution of the Collateral, see "Security for the Notes" in the Secured Note Offering Circular.

DELIVERY OF THE PREFERENCE SHARES; TRANSFER RESTRICTIONS; SETTLEMENT

The Preference Shares have not been registered under the Securities Act, 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 within the United States or to, or for the account or benefit of, U.S. Persons, except in accordance with the restrictions described under "Notices to Purchasers."

Without limiting the foregoing, by holding Preference Shares, each Holder will acknowledge and agree, among other things, that such Holder understands that the Issuer is not registered as an investment company under the Investment Company Act, but that the Issuer is exempt from registration as such by virtue of Section 3(c)(7) of the Investment Company Act, which in general excludes from the definition of an "investment company" any issuer whose outstanding securities (other than securities sold to Non-U.S. Persons under Regulation S) are beneficially owned solely by Qualified Purchasers and which has not made and does not propose to make a public offering of its securities. Any sale or transfer which would violate these provisions shall be void ab initio, and no sale or transfer may

be made if such sale or transfer would require the Issuer to become subject to the requirements of the Investment Company Act.

Unless determined otherwise by the Issuer in accordance with applicable law, all certificates representing the Preference Shares will bear the legend set forth below:

THE PREFERENCE SHARES HAVE 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 WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS PERMITTED BY THIS LEGEND. THE HOLDER OF ANY PREFERENCE SHARES REPRESENTED HEREBY, BY ITS ACCEPTANCE OF THIS PREFERENCE SHARE CERTIFICATE, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE PREFERENCE SHARES REPRESENTED BY THIS CERTIFICATE EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT (A) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, WHOM THE SELLER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, PROVIDED THAT SUCH PURCHASER DELIVERS ALL DOCUMENTS AND CERTIFICATIONS AS THE ISSUER OR THE PAYING AGENT MAY REASONABLY REQUIRE; (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT; OR (C) TO THE ISSUER OR ITS AFFILIATES, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF THE UNITED STATES AND ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE PAYING AGENCY AGREEMENT. IN ADDITION, EACH PURCHASER OF PREFERENCE SHARES, BY ITS ACCEPTANCE THEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT RESELL, PLEDGE OR OTHERWISE TRANSFER SUCH PREFERENCE SHARES EXCEPT TO A NON-U.S. PERSON OR TO A "QUALIFIED PURCHASER" WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT IN A TRANSACTION THAT DOES NOT CAUSE THE ISSUER OR THE POOL OF COLLATERAL TO BE REQUIRED TO REGISTER UNDER THE INVESTMENT COMPANY ACT OF 1940. FURTHER, THE PREFERENCE SHARES MAY NOT BE SOLD OR TRANSFERRED TO ANY PLAN SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, TO ANY PERSON ACTING ON BEHALF OF OR WITH "PLAN ASSETS" OF ANY SUCH PLAN, OR TO ANY OTHER BENEFIT PLAN INVESTOR (AS DEFINED IN SECTION 3(42) OF ERISA), INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET

FORTH IN THE OFFERING CIRCULAR RELATING TO THE PREFERENCE SHARES.

TRANSFERS OF THE PREFERENCE SHARES MUST GENERALLY BE ACCOMPANIED BY APPROPRIATE TAX TRANSFER DOCUMENTATION.

Subject to the restrictions on transfer set forth in the Paying Agency Agreement and on the Preference Share certificates, the Holder of any Preference Shares may transfer the same in whole or in part (in any authorized denomination) by surrendering the certificate relating to such Preference Shares at the specified office of the Paying Agent or at the office of any transfer agent, together with an executed instrument of assignment and transfer substantially in the form attached to the Paying Agency Agreement. In exchange for any certificate representing the Preference Shares properly presented for transfer with all necessary accompanying documentation, the Paying Agent will, within five Business Days of such request if made at the specified office of the Paying Agent, or within ten Business Days if made at the office of a transfer agent, deliver at the specified office of the Paying Agent or the office of the transfer agent, as the case may be, to the transferee or send by first-class mail at the risk of the transferee to such address as the transferee may request a certificate in the name of the transferee representing the number of Preference Shares transferred. The presentation for transfer of any Preference Shares will not be valid unless made at the specified office of the Paying Agent or at the office of a transfer agent by the registered Holder in person, or by a duly authorized attorney-in-fact. The Holder of a Preference Share certificate will not be required to bear the costs and expenses of effecting any transfer or registration of transfer, except that the relevant Holder will be required to bear (i) the expenses of delivery by other than regular mail (if any) and (ii) if the Issuer so requires, the payment of a sum sufficient to cover any duty, stamp tax or governmental charge or insurance charges that may be imposed in relation thereto.

CERTAIN U.S. TAX CONSIDERATIONS

Introduction

The following is a summary of certain of the United States federal income tax consequences of an investment in the Preference Shares by purchasers that acquire their Preference Shares in the initial offering and does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Preference Shares. The discussion and the opinions referenced below are based upon laws, regulations, rulings, and decisions currently in effect, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the United States Internal Revenue Service (the "**IRS**") with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the IRS or a court will not take contrary positions. Further, the following summary does not deal with all United States federal income tax consequences applicable to any given investor, nor does it address the United States federal income tax considerations applicable to categories of investors subject to special taxing rules, such as banks, expatriates, REITs, RICs, insurance companies, tax-exempt organizations, dealers in securities or currencies, partnerships, natural persons, cash method taxpayers, S corporations, estates and trusts, investors that hold their Preference Shares as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address alternative minimum tax consequences, or the indirect effects on investors in equity interests in either a U.S. Holder or a Non-U.S. Holder (as these terms are defined below). In addition, this summary is generally limited to investors that acquire their Preference Shares on the Closing Date and who will hold their Preference Shares as "capital assets" within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the United States federal, state, local, and other tax consequences of the purchase, ownership, and disposition of the Preference Shares.

As used herein, "**U.S. Holder**" means a beneficial owner of Preference Shares that is an

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

United States Federal Income Tax Consequences to the Issuer

Upon the issuance of the Preference Shares, Orrick, Herrington & Sutcliffe LLP, special U.S. tax counsel to the Issuer, will deliver an opinion generally to the effect that under current law, and assuming compliance with the Indenture (and certain other documents) and based on certain factual representations made by the Issuer and the Collateral Manager, although the matter is not free from doubt, the permitted activities of the Issuer will not cause the Issuer to be engaged in the conduct of a trade or business in the United States. Accordingly, the Issuer does not expect to be subject to net income taxation in the United States. Prospective investors should be aware that opinions of counsel are not binding on the IRS and the IRS might seek to treat the Issuer as engaged in a U.S. trade or business. If the IRS were to successfully characterize the Issuer as engaged in a U.S. trade or business, among other consequences, the Issuer would be subject to net income taxation in the United States on its income that was effectively connected with such trade or business (as well as the branch profits tax). The levying of such taxes would materially affect the Issuer's financial ability to make distributions on the Preference Shares.

The opinion of special U.S. tax counsel is subject to various considerations. The opinion of special U.S. tax counsel assumes that the parties to the Collateral Management Agreement will comply with the investment guidelines set forth in the Collateral Management Agreement and, in instances where they may deviate from these guidelines based on opinion of counsel or special tax counsel to the Issuer, assumes that any opinion provided with respect to the deviation will be correct and complete (except in instances where Orrick, Herrington & Sutcliffe LLP is providing the opinion). Second, the United States Treasury Department and the IRS recently announced that they are considering taxpayer requests for specific guidance on, among other things, whether a foreign person may be treated as engaged in a trade or business in the United States by virtue of entering into credit default swaps. No guidance has been issued to date. If any future guidance concludes that foreign persons entering into certain credit default swaps will be treated as engaged in a trade or business in the United States, such guidance would adversely impact the Issuer's ability to pay principal and interest on the Preference Shares. Additionally, it should be noted that gain or loss on a disposition by a foreign person of a United States real property interest may be subject to United States federal income tax as if the foreign person were engaged in a United States trade or business (even if the foreign person is not actually so engaged). The determination of whether an asset constitutes a United States real property interest is made periodically and, therefore, notwithstanding that the Issuer is generally prohibited from acquiring an asset that constitutes a United States real property interest, it is possible that an asset that was not a United States real property interest at the time it was acquired by the Issuer could, thereafter, become a United States real property interest. Finally, if the Issuer accepted a new security in exchange for an existing security or if the terms of an existing security were modified, the new or modified security might cause the Issuer to become engaged in a United States trade or business for United States federal income tax purposes.

It is not expected that the Issuer will derive material amounts of any items of income that will be subject to United States withholding taxes. Notwithstanding the foregoing, any fee that the Issuer earns may be subject to a 30% withholding tax, including fees received under a securities lending agreement. Additionally, if the Issuer is a CFC (defined below), the Issuer would incur United States withholding tax on interest received from a related United States person. The Issuer intends to acquire the Portfolio Collateral, the interest on which and any gain from the sale or disposition of which is not expected to be subject to United States federal withholding tax or withholding tax imposed by other countries (unless, in the case of interest, the obligor is required to "gross up" its payments to compensate for these taxes). The Issuer will not, however, make any independent investigation of the circumstances surrounding the issuance of the individual assets comprising the Portfolio Collateral and, thus, there can be no assurance that payments of interest on and gain from the sale or disposition of the Portfolio Collateral will in all cases be received free of withholding tax.

The Co-Issuers will not be required to pay additional amounts to Holders of any Preference Shares if taxes or related amounts are withheld from payments on the Preference Shares or any payments on any item of Portfolio Collateral or other investments of the Co-Issuers. However, such withholding tax on payments on items of Portfolio Collateral could result in a redemption of Notes by the Issuer. See "—Tax Redemption" in the Secured Note Offering Circular.

United States Federal Income Tax Consequences to Holders of Preference Shares

General. Subject to the rules discussed below relating to "passive foreign investment companies" ("**PFICs**") and "controlled foreign corporation" ("**CFCs**"), distributions made to a U.S. Holder with respect to the Preference Shares will be treated as dividends to the extent of the current or accumulated earnings and profits of the Issuer. Payments characterized as dividends will be taxable at regular marginal income tax rates applicable to ordinary income, and will not be entitled to the benefit of the dividends received deduction or any reduction in tax rates that may be available for certain dividends. Distributions in excess of the Issuer's earnings and profits will be non-taxable to the extent of, and will be applied against and reduce, the U.S. Holder's adjusted tax basis in its Preference Shares and, to the extent in excess of such basis, will be taxable as gain from the sale or exchange of property.

The tax consequences discussed in the preceding paragraph are likely to be significantly modified as a result of the application of the PFIC and CFC rules discussed below. In general, each U.S. Holder of Preference Shares will be viewed as having made an equity investment in a PFIC and, possibly, in a CFC (depending, in the latter instance, on the percentage of voting equity that is acquired and held by certain U.S. Holders). If applicable, the rules pertaining to CFCs would generally override those pertaining to PFICs although, in certain circumstances, both sets of rules could apply simultaneously. Prospective investors should be aware that certain of the procedural rules for PFICs and QEF elections, which are described below, are complex and investors should consult their own tax advisors regarding such rules.

Because the Issuer will be treated as a PFIC for U.S. federal income tax purposes, U.S. Holders of Preference Shares, other than U.S. Holders that make a timely "qualified electing fund" or "QEF" election described below, will be subject to special rules relating to the taxation of "excess distributions" (as defined below). In general, Section 1291 of the Code provides that the amount of any excess distribution will be allocated to each day of the U.S. Holder's holding period for its Preference Share. The amount allocated to the current year will be included in the U.S. Holder's gross income for the current year as ordinary income. With respect to amounts allocated to prior years, the tax imposed for the current year will be increased by the "deferred tax amount," which is an amount calculated with respect to each prior year by multiplying the amount allocated to such year by the highest rate of tax in effect for such year, together with an interest charge as though the amounts of tax were overdue.

An excess distribution is defined as the amount by which distributions for a taxable year exceed 125 percent of the average distribution in respect of the Preference Shares during the three preceding taxable years (or, if shorter, the investor's holding period for the Preference Shares). Additionally, any gain recognized upon disposition (or deemed disposition) of the Preference Shares will be treated as an excess distribution and taxed as described above, *i.e.*, it will not be taxable as capital gain. For this purpose, a U.S. Holder that uses Preference Shares as security for an obligation may be treated as having disposed of the Preference Shares.

If a U.S. Holder (including certain U.S. Holders indirectly owning Preference Shares) makes the qualified electing fund election (the "**QEF election**") provided in Section 1295 of the Code, the U.S. Holder will be required to include its *pro rata* share of the Issuer's ordinary income and net capital gains (unreduced by any prior year losses) in income (as ordinary income and long-term capital gain, respectively) for each taxable year, and pay tax thereon even if such income and gain is not distributed to the U.S. Holder by the Issuer. In addition, any losses of the Issuer will not be deductible by such U.S. Holder. However, a U.S. Holder that makes the QEF election generally may elect to defer the payment of tax on undistributed income (until such income is distributed or the Preference Shares are disposed of) *provided* that it agrees to pay interest on such deferred tax liability. For this purpose, a U.S. Holder that uses Preference Shares as security for an obligation may be treated as having disposed of the Preference Shares. If the Issuer later distributes the income or gain on which the U.S. Holder has already paid taxes, amounts so distributed to the U.S. Holder will not be further taxable to the U.S. Holder. A U.S. Holder's tax basis in its Preference Shares will be increased by the amount included in such U.S. Holder's income, and decreased by the amount of nontaxable distributions. On the disposition (including redemption or retirement) of Preference Shares, a U.S. Holder making the QEF Election generally will recognize capital gain or loss equal to the difference, if any, between the amount realized upon such disposition and its adjusted tax basis in such Preference Shares. In general, a QEF election should be made on or before the due date for filing a U.S. Holder's federal income tax return for the first taxable year for which it held Preference Shares.

The QEF election is effective only if certain required information is made available by the Issuer to the IRS. The Issuer will undertake to comply with the IRS information requirements necessary to be a QEF, which will permit U.S. Holders to make the QEF election. Nonetheless, there can be no assurance that such information will always be available. Where a QEF election is not timely made by a U.S. Holder for the year in which it acquired its Preference Shares, but it is made for a later year, the excess distribution rules can be avoided with respect to future years by making an election to recognize gain from a deemed sale of the Preference Shares at the time when the QEF election becomes effective, which gain will be treated as an excess distribution and taxed as described above. A U.S. Holder should consult its own tax advisors regarding whether it should make a QEF election (and, if it failed to make an initial election, whether it should make an election in a subsequent taxable year).

Prospective investors should be aware that the Issuer's income that is allocated to Holders (under the QEF rules as well as under the CFC rules discussed below) will not necessarily bear any particular relationship in any year to the amount of cash that is distributed on the Preference Shares, and in any given year such allocated income may be substantially greater. Such an excess will arise, among other circumstances, when Portfolio Collateral is purchased at a discount, or interest or other income on the Portfolio Collateral (which is included in gross income) is used to acquire other Portfolio Collateral or to repay principal on the Notes (which does not give rise to a deduction).

The Issuer may hold securities issued by non-U.S. corporations treated as equity for U.S. federal income tax purposes, such as asset backed securities. In that event, a Holder of Preference Shares could be treated as holding an indirect equity interest in a PFIC (or a CFC, as defined below). Because the U.S. Holder – and not the Issuer – would be required to make any QEF election with respect any such indirectly-owned PFIC, and because PFIC information statements necessary for any such election may

not be made available by the PFIC, there can be no assurance that a U.S. Holder will be able to make a QEF election with respect to any particular indirectly-held PFIC. If the U.S. Holder has not made a QEF election with respect to an indirectly-owned PFIC, the U.S. Holder would be subject to the consequences described above with respect to excess distributions of such PFIC, including gain indirectly realized on the sale by the Issuer of in its interest in the PFIC and gain indirectly realized with respect to such PFIC on the sale by the U.S. Holder of its Preference Shares. Alternatively, if the U.S. Holder has made a QEF election with respect to the indirectly-owned PFIC, the U.S. Holder would be required to include in income its share of the indirectly-owned PFIC's ordinary earnings and net capital gain.

U.S. tax law also contains special provisions relating to CFCs. A foreign corporation is a CFC if "U.S. Shareholders" in the aggregate own, directly or indirectly, more than 50% of the voting power or value of the stock of such corporation. For this purpose, a United States person that owns, directly or indirectly, ten percent or more of the voting stock of a CFC is considered a "U.S. Shareholder" with respect to the CFC. In this regard, the Collateral Manager's interest in certain portions of its fees may be recharacterized as equity in the Issuer (and, possibly, as voting equity) and Holders of Preference Shares may be viewed as owning voting equity interests in the Issuer. Complex attribution rules apply for purposes of determining ownership of stock in a foreign corporation such as the Issuer.

If the Issuer is classified as a CFC, a U.S. Shareholder that is a shareholder of the Issuer as of the end of the Issuer's taxable year (which, as indicated above, may include U.S. Holders of Preference Shares) generally would be subject to current U.S. tax on its pro rata share of the income of the Issuer (taxable as ordinary income), regardless of cash distributions from the Issuer. Earnings subject to tax currently as income to the U.S. Holder generally will not be taxed again when they are distributed to the U.S. Holder. In addition, all or a portion of the income that would otherwise be characterized as capital gain upon a sale of the CFC's stock by a U.S. Shareholder may be classified as ordinary income. Certain income generated by a corporation conducting a banking, financing, insurance, or other similar business would not be includible in a holder's income under the CFC rules. However, each Holder of Preference Shares will agree not to take the position that the Issuer is engaged in such a business. Accordingly, if the CFC rules apply, a U.S. Holder of Preference Shares that is classified as U.S. Shareholder under the rules described above would generally be subject to tax on its share of all of the Issuer's income.

Prospective investors should be aware that if any Class of Notes that is characterized as debt for United States federal income tax purposes is not fully paid upon maturity, the Issuer may recognize cancellation of indebtedness income for United States federal income tax purposes, without any corresponding offsetting loss (due to tax character differences or otherwise). In such a case, any U.S. Holders of Preference Shares treated as equity for United States federal income tax purposes may also have phantom income as a result of such recognition by the Issuer pursuant to the QEF and CFC rules described above, as to which an offsetting loss may not be available to the U.S. Holders.

Information Reporting Requirements

Information reporting to the IRS may be required with respect to payments on the Preference Shares and with respect to proceeds from the sale of the Preference Shares to Holders other than corporations and certain other exempt recipients. A "backup" withholding tax may also apply to those payments if a Holder fails to provide certain identifying information (such as the Holder's taxpayer identification number or an attestation to the status of the Holder as a Non-U.S. Holder). Backup withholding is not an additional tax and may be refunded (or credited against the Holder's U.S. federal income tax liability, if any) *provided* that certain required information is furnished to the IRS in a timely manner.

Prospective investors should consult with their own tax advisors regarding whether they are required to file an IRS Form 8886 in respect of this transaction (relating to certain "reportable

transactions"). Thus, for example, if a U.S. Holder were to sell its Preference Shares at a loss, it is possible that this loss could constitute a reportable transaction and need to be reported on Form 8886 As another example, a transaction may be reportable if it is offered under conditions of confidentiality. In this regard, each Holder and beneficial holder of Preference Shares (and each of their respective employees, representatives or other agents) is hereby advised that it is permitted to disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described herein (including the ownership and disposition of the Preference Shares). Significant penalties apply for failure to file Form 8886 when required, and Holders are therefore urged to consult their own tax advisors.

U.S. Holders of Preference Shares may be required to file forms with the IRS under the applicable reporting sections of the Code. Thus, for example, under Section 6038, 6038B and/or 6046 of the Code, information may need to be provided to the IRS regarding the U.S. Holder, other U.S. Holders and/or the Issuer if (i) such person owns at least 10% of the total value or 10% of the total combined voting power of all classes of stock entitled to vote or (ii) the acquisition, when aggregated with certain other acquisitions that may be treated as related under applicable regulations, exceeds U.S.$100,000. Upon request, the Issuer will provide U.S. Holders of Preference Shares with information about the Issuer and its shareholders that the Issuer possess and which may be needed to complete any Form that is so required. In the event a U.S. Holder fails to file a form when required to do so, the U.S. Holder could be subject to substantial tax penalties.

Taxation of Non-U.S. Holders.

Payments on, and gain from the sale, exchange or redemption of, Preference Shares generally should not be subject to United States federal income withholding tax in the hands of a Non-U.S. Holder that has no connection with the United States other than the holding of the Preference Shares *provided* that such Holder provides certain tax representations regarding the identity of the beneficial owner of the Preference Shares.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the Issuer and its tax advisors are (or may be) required to inform prospective purchasers that:

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;

- Any such advice is written to support the promotion or marketing of the Preference Shares and the transactions described herein (or in such opinion or other advice); and

- Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

CAYMAN ISLANDS TAXATION

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

Under existing Cayman Islands laws:

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

(ii) the Preference Shares and transfers of Preference Shares are not subject to Cayman Islands stamp duty but an agreement to transfer Preference Shares if executed in or brought into the Cayman Islands will be subject to nominal Cayman Islands stamp duty.

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

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

In accordance with Section 6 of the Tax Concessions Law (1999 Revision) the Governor-in-Cabinet undertakes with Webster CDO I, Ltd. (the "**Company**"):

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

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

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

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

These concessions shall be for a period of twenty years from the 7th of November, 2006.

CERTAIN ERISA CONSIDERATIONS

The 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 Title I of ERISA and on persons who are fiduciaries (as defined in Section 3(21)(A) of ERISA) with respect to such plans, and Section 406 of ERISA and Section 4975 of the Code prohibit such plans, as well as individual retirement accounts and Keogh plans, subject to either or both of such statutes (each, a "**Plan**") from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under Section 4975 of the Code (collectively, "**Parties in Interest**") with respect to such Plans. Any person who decides to invest "plan assets" of a Plan in the Preference Shares should consider, among other factors, the factors discussed above under "Risk Factors" herein.

Except as set forth below and except as otherwise provided in the Paying Agency Agreement with respect to the initial sale of the Preference Shares, the Preference Shares may not be acquired or held by any (i) employee benefit plan (as defined in Section 3(3) of ERISA), whether or not it is subject to Title I of ERISA; (ii) plan described in Section 4975(e)(1) of the Code; (iii) entity whose underlying

assets include "plan assets" by reason of a Plan's investment in the entity; or (iv) person who is otherwise a "benefit plan investor" (as defined in Section 3(42) of ERISA) (a "**Benefit Plan Investor**"), including a life insurance company general account. However, Preference Shares may be acquired and held by or on behalf of, or with "plan assets" of, a Plan or other Benefit Plan Investor if:

(a) (1)(A) The investor is purchasing the Preference Shares with assets of an "insurance company general account" (within the meaning of United States Department of Labor ("**DOL**") Prohibited Transaction Class Exemption ("**PTCE**") 95-60) (a "**General Account**"); (B) the investor's purchase and holding of the Preference Shares are eligible for the exemptive relief afforded under Section I of PTCE 95-60; (C) less than 25% of the assets of such General Account constitute "plan assets" of Benefit Plan Investors; and (D) if, after the initial acquisition of Preference Shares, during any calendar quarter 25% or more of the assets of such General Account (as determined by such insurance company) constitute "plan assets" of any Plan or other Benefit Plan Investor and no exemption or exception from the prohibited transaction rules applies such that the continued holding of the Preference Shares would not result in violations of Section 406 of ERISA or Section 4975 of the Code, then such investor will dispose of all of the Preference Shares then held in such General Account by the end of the next following calendar quarter; or (2) the investor's purchase and holding of the Preference Shares are eligible for the exemptive relief afforded under Section 408(b)(17) of ERISA or PTCE 96-23, 91-38, 90-1 or 84-14; *and*

(b) After giving effect to such purchase and all other purchases occurring simultaneously therewith, less than 25% of the Preference Shares (excluding the Preference Shares held by the Collateral Manager and its affiliates) will be held by Benefit Plan Investors.

In addition, except as otherwise provided in the Paying Agency Agreement, if an investor (whether or not it is a Plan or a Benefit Plan Investor) purchases a Preference Share and if, after giving effect to such purchase, the investor (or its affiliates) will own 50% or more of the aggregate par value of the Preference Shares, such investor should consult with its counsel regarding the effect such an investment may have on its ability (and that of its affiliates and their Plans) to purchase any Class of Notes in reliance upon any of Section 408(b)(17) of ERISA or PTCE 96-23, 95-60, 91-38, 90-1 or 84-14.

Except with respect to certain secondary market transactions through the Initial Purchaser, as more fully described in the Paying Agency Agreement, by its purchase of the Preference Shares, each purchaser and transferee will be required to represent and warrant in writing to and agree with the Issuer, the Collateral Manager, the Paying Agent and the Trustee that (i) its purchase and holding of such Preference Shares will satisfy the ERISA requirements with respect to the 25% limitation described above and (ii) it will not assign or transfer such Preference Shares unless (1) the proposed assignee or transferee delivers a letter to the Issuer evidencing its agreement to the foregoing ERISA representations and covenants with respect to its purchase, holding and transfer of such Preference Shares and (2) if the investor:

(x) is not (and is not acting on behalf of) a Benefit Plan Investor, the assignee or transferee will also not be a Benefit Plan Investor; *or*

(y) is (or is acting on behalf of) a General Account, the assignee or transferee will be accurately identified in such letter as either another General Account or a person who is not (and is not acting on behalf of) a Benefit Plan Investor; *or*

(z) is (or is acting on behalf of or with "plan assets" of) a Benefit Plan Investor (other than a General Account), the assignee or transferee will be accurately identified in such

letter as either a General Account, another Benefit Plan Investor or a person who is not (and is not acting on behalf of) any Benefit Plan Investor.

USE OF PROCEEDS

The net proceeds from the sale of the Preference Shares, together with the net proceeds from the sale of the Notes, will be applied by the Issuer in the manner described in the Secured Note Offering Circular.

PLAN OF DISTRIBUTION

The Initial Purchaser has advised the Issuer that the Initial Purchaser proposes to offer the Preference Shares purchased by it to prospective purchasers from time to time in individually negotiated transactions at varying prices to be determined in each case at the time of sale. On the Closing Date, the Collateral Manager or an affiliate thereof is expected to acquire for its own account or the account of an affiliate, a majority of the Preference Shares at a negotiated price from the Issuer. See "Risk Factors—Potential Conflicts of Interest" in the Secured Note Offering Circular. The price(s) paid by the Initial Purchaser and/or the Collateral Manager for the Preference Shares may be less than those paid by other purchasers of the Preference Shares. In addition to the structuring and placement fees paid to the Initial Purchaser, the Initial Purchaser may also be deemed to have received compensation for the sale of the Preference Shares to the extent the price(s) paid by it for the Preference Shares is less than the price(s) at which they are resold. Preference Shares may be offered or sold to purchasers at negotiated prices, which may vary among different purchasers of Preference Shares. The Preference Shares are offered when, as and if issued by the Issuer, 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 Preference Shares will be made on or about the Closing Date, against payment in immediately available funds.

The Preference Shares have not been 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, United States persons except to (i) Qualified Institutional Buyers in reliance on Rule 144A under the Securities Act and (ii) other persons or entities pursuant to other valid exemptions from the registration requirements of the Securities Act.

Without limiting the foregoing, no transfer of Preference Shares may be made except to a Non-U.S. Person in compliance with Regulation S or to a Qualified Purchaser or if such transfer would require the Issuer to become subject to the registration requirements of the Investment Company Act.

The Issuer represents and agrees that it (i) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by them in connection with the issue or sale of any offered securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and (ii) have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Preference Shares in, from or otherwise involving the United Kingdom.

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

Purchasers of Preference Shares sold outside the United States may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the price charged to investors for the Preference Shares.

The Preference Shares 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 Preference Shares.

CERTAIN LEGAL MATTERS

Certain legal matters, including certain matters relating to certain United States federal income tax consequences of the ownership of the Preference Shares, will be passed upon for the Issuer and the Initial Purchaser by Orrick, Herrington & Sutcliffe LLP, New York, New York. Certain legal matters relating to the Preference Shares, including matters relating to the laws of the Cayman Islands will be passed on for the Issuer by Maples and Calder. As to all matters of Cayman Islands law, Orrick, Herrington & Sutcliffe LLP will rely on the opinions of Maples and Calder.

APPENDIX 2 – COMBINATION NOTES SUMMARY OF TERMS

SUMMARY OF TERMS

WEBSTER CDO I, LTD.
U.S. $10,000,000 CLASS P1 COMBINATION NOTES DUE April 2047

The Class P1 Combination Notes Due April 2047 (the "**Class P1 Combination Notes**") in the notional principal amount of U.S.$10,000,000 will be issued by Webster CDO I, Ltd. (the "**Issuer**"), a limited liability company incorporated under the laws of the Cayman Islands. The Issuer was incorporated on October 24, 2006, and has no prior operating history.

THIS SUMMARY OF TERMS IS ONLY INTENDED TO BE READ AND CONSIDERED IN CONJUNCTION WITH THE OFFERING CIRCULAR RELATING TO THE NOTES ATTACHED HERETO (THE "**NOTE OFFERING CIRCULAR**"). Capitalized terms used herein and not otherwise defined herein have the respective meanings specified in the Note Offering Circular.

The activities of the Issuer will be limited as described herein. The Issuer will receive all of the net proceeds of the offering of the Notes, the Preference Shares and the Class P1 Combination Notes, which will be used by the Issuer to purchase Portfolio Collateral and to pay organizational expenses and the expenses of the issuance of the Notes, the Preference Shares and the Class P1 Combination Notes.

As described herein, the Issuer will issue the Class P1 Combination Notes on the Closing Date. The Class P1 Combination Notes are comprised of two components: (i) the Class A-3L Component which represents U.S.$5,000,000 aggregate initial principal amount of Class A-3L Notes and (ii) the Class B-3L Component which represents U.S.$5,000,000 aggregate initial principal amount of Class B-3L Notes. The Class A-3L Notes and the Class B-3L Notes are described in, and certain information relevant to an investment in the Class A-3L Notes and the Class B-3L Notes is set forth in, the Note Offering Circular. The Class P1 Combination Notes do not constitute additional obligations of the Issuer. As described herein, the payment of the Class A-3L Component and the Class B-3L Component from payments received in respect of the Portfolio Collateral will be subordinated in varying degrees to certain payments on the Notes and to the payment of all fees and expenses of the Issuer.

It is expected that the Class P1 Combination Notes will be rated as described herein. See "Ratings".

Distributions on the Class P1 Combination Notes will be paid solely from and to the extent of the available proceeds from the distributions on the Class A-3L Notes and the Class B-3L Notes as described herein. Such amounts are the only source of distributions in respect of the Class P1 Combination Notes, and to the extent these amounts are insufficient, the Issuer will have no obligation to pay any further amounts in respect of the Class P1 Combination Notes. There is currently no secondary market in the Class P1 Combination Notes and it is unlikely that one will develop or, if one does develop, that it will continue.

The Class P1 Combination Notes are offered by the Issuer through Greenwich Capital Markets, Inc. (the "**Initial Purchaser**") to prospective purchasers from time to time in individually negotiated transactions at varying prices to be determined in each case at the time of sale. (See "Risk Factors—Certain Conflicts of Interest" in the Note Offering Circular.) The Class P1 Combination Notes are offered when, as and if issued by the Issuer, 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 the Class P1 Combination Notes will be delivered on or about December 7, 2006 (the "**Closing Date**"), against payment in immediately available funds. See "Plan of Distribution" in the Note Offering Circular. The Class P1 Combination Notes sold to Non-U.S. Persons will be represented by one or more temporary global notes (the "**Temporary Global Note(s)**") in fully registered form, which will be deposited with a common depository on behalf of Euroclear Bank, S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking société anonyme ("**Clearstream**") on the Closing Date. The Class P1 Combination Notes sold to U.S. Persons will be sold and delivered in definitive registered form.

THE CLASS P1 COMBINATION 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, NOR HAS THE ISSUER, THE CO-ISSUER OR THE TRUST ESTATE BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). THE CLASS P1 COMBINATION NOTES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OF, U.S. PERSONS UNLESS A REGISTRATION STATEMENT WITH RESPECT THERETO IS THEN EFFECTIVE UNDER THE SECURITIES ACT OR AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS AVAILABLE. THE ISSUER IS RELYING ON AN EXEMPTION FROM REGISTRATION UNDER THE INVESTMENT COMPANY ACT, AND NO TRANSFER OF CLASS P1 COMBINATION NOTES MAY BE MADE WHICH WOULD CAUSE THE ISSUER TO BECOME SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE INVESTMENT COMPANY ACT. THE CLASS P1 COMBINATION NOTES ARE ALSO SUBJECT TO CERTAIN OTHER RESTRICTIONS ON TRANSFER DESCRIBED HEREIN.

EACH PURCHASER OF THE CLASS P1 COMBINATION NOTES, BY ITS ACCEPTANCE THEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT RESELL, PLEDGE OR OTHERWISE TRANSFER SUCH CLASS P1 COMBINATION NOTES EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT (A) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, WHOM THE SELLER HAS INFORMED, IN EACH CASE, THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, PROVIDED THAT SUCH PURCHASER DELIVERS ALL DOCUMENTS AND CERTIFICATIONS AS THE ISSUER OR THE PAYING AGENT MAY REASONABLY REQUEST; (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT PROVIDED THAT SUCH PURCHASER DELIVERS ALL DOCUMENTS AND CERTIFICATIONS AS THE ISSUER OR THE TRUSTEE MAY REQUEST; OR (C) TO THE ISSUER OR ITS AFFILIATES, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF THE UNITED STATES AND ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

THE CLASS P1 COMBINATION NOTES MAY NOT BE SOLD OR TRANSFERRED EXCEPT TO A PURCHASER OR OTHER TRANSFEREE WHICH IS A NON-U.S. PERSON PURCHASING IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT OR TO A "QUALIFIED PURCHASER" WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT.

THE CLASS B-3L NOTES MAY NOT BE SOLD OR TRANSFERRED TO ANY PLAN SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 ("ERISA") OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), TO ANY PERSON ACTING ON BEHALF OF OR WITH "PLAN ASSETS" OF ANY SUCH PLAN, OR TO ANY OTHER "BENEFIT PLAN INVESTOR" (AS DEFINED IN SECTION 3(42) of ERISA (A "BENEFIT PLAN INVESTOR"), INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

ANY SALE OR TRANSFER OF CLASS P1 COMBINATION NOTES WHICH WOULD VIOLATE THE FOREGOING WILL BE NULL AND VOID.

HOLDERS OF THE CLASS P1 COMBINATION NOTES SHALL HAVE NO RIGHT OF RECOURSE, AND SHALL HAVE NO RIGHT TO ASSERT A CLAIM OF ANY NATURE, AGAINST ANY REFERENCE OBLIGATION, ANY REFERENCE ENTITY OR ANY UNDERLYING ASSETS.

PURCHASERS OF THE CLASS P1 COMBINATION NOTES WILL BE EXPOSED TO CREDIT RISKS AND OTHER RISKS OF THE REFERENCE OBLIGATIONS UNDER THE CREDIT DEFAULT SWAPS, THE ISSUERS OF ANY NON-SYNTHETIC PORTFOLIO COLLATERAL, ANY UNDERLYING ASSETS OR ELIGIBLE INVESTMENTS AND ANY SWAP COUNTERPARTY OR TRS SWAP COUNTERPARTY. NO INFORMATION IS SET FORTH HEREIN WITH RESPECT TO THE CONDITION OR CREDITWORTHINESS OF ANY OF THE REFERENCE ENTITIES, ANY ISSUER OR GUARANTOR OF NON-SYNTHETIC PORTFOLIO COLLATERAL, UNDERLYING ASSETS OR ELIGIBLE INVESTMENTS OR ANY SWAP COUNTERPARTY OR TRS SWAP COUNTERPARTY. NONE OF THE ISSUERS OF AND OTHER OBLIGORS ON THE NON-SYNTHETIC PORTFOLIO COLLATERAL, REFERENCE OBLIGATIONS OR UNDERLYING ASSETS HAS PARTICIPATED IN THE ISSUANCE OF THE CLASS P1 COMBINATION NOTES AND THE PREPARATION OF THIS SUMMARY OF TERMS.

FOR THESE REASONS, AMONG OTHERS, AN INVESTMENT IN THE CLASS P1 COMBINATION NOTES IS NOT SUITABLE FOR ALL INVESTORS AND IS APPROPRIATE ONLY FOR AN INVESTOR CAPABLE OF (A) ANALYZING AND ASSESSING THE RISKS ASSOCIATED WITH DEFAULTS, LOSSES AND RECOVERIES ON, REINVESTMENT OF PROCEEDS OF AND OTHER CHARACTERISTICS OF, THE PORTFOLIO COLLATERAL, THE RELATED REFERENCE OBLIGATIONS, THE REFERENCE ENTITIES AND THE ELIGIBLE INVESTMENTS AND (B) BEARING SUCH RISKS AND FINANCIAL CONSEQUENCES THEREOF.

EACH PURCHASER OF A CLASS P1 COMBINATION NOTE BY ITS ACCEPTANCE THEREOF ACKNOWLEDGES THAT IT IS USING ITS INDEPENDENT JUDGMENT IN ASSESSING THE OPPORTUNITIES AND RISKS PRESENTED BY THE CLASS P1 COMBINATION NOTES FOR ITS INVESTMENT PORTFOLIO AND IN DETERMINING WHETHER THE ACQUISITION IS SUITABLE AND COMPLIES WITH SUCH PURCHASER’S INVESTMENT OBJECTIVES AND POLICIES.

EXCEPT AS SET FORTH IN THIS SUMMARY OF TERMS AND IN THE NOTE OFFERING CIRCULAR, NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED HEREIN OR THEREIN AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON. THIS SUMMARY OF TERMS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY OF THE CLASS P1 COMBINATION NOTES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER IN SUCH JURISDICTION NOR TO ANY PERSON WHO HAS NOT RECEIVED A COPY OF EACH CURRENT AMENDMENT OR SUPPLEMENT HERETO, IF ANY.

THIS SUMMARY OF TERMS AND THE ATTACHED NOTE OFFERING CIRCULAR ARE FURNISHED SOLELY FOR THE PURPOSE OF EVALUATING THE INVESTMENT OFFERED HEREBY. THE INFORMATION CONTAINED HEREIN MAY NOT BE REPRODUCED OR USED IN WHOLE OR IN PART FOR ANY OTHER PURPOSE. THIS SUMMARY OF TERMS SHOULD BE READ ONLY IN CONJUNCTION WITH THE NOTE OFFERING CIRCULAR.

NOTWITHSTANDING ANY OTHER EXPRESS OR IMPLIED AGREEMENT TO THE CONTRARY, THE ISSUER, THE COLLATERAL MANAGER, THE INITIAL PURCHASER, THE TRS SWAP COUNTERPARTY, THE TRUSTEE, THE COLLATERAL ADMINISTRATOR AND EACH RECIPIENT HEREOF AGREE THAT EACH OF THEM AND EACH OF THEIR EMPLOYEES, REPRESENTATIVES, AND OTHER AGENTS MAY DISCLOSE, IMMEDIATELY UPON COMMENCEMENT OF DISCUSSIONS, TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTION AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO ANY OF THEM RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE.

THE CLASS P1 COMBINATION 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 CLASS P1 COMBINATION NOTES AND RISKS OF OWNERSHIP OF THE CLASS P1 COMBINATION 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 CLASS P1 COMBINATION NOTES. REPRESENTATIVES OF THE ISSUER AND THE INITIAL PURCHASER WILL BE AVAILABLE TO ANSWER QUESTIONS CONCERNING THE ISSUER, THE CLASS P1 COMBINATION NOTES AND THE PORTFOLIO COLLATERAL AND WILL, UPON REQUEST, MAKE AVAILABLE SUCH OTHER INFORMATION AS INVESTORS MAY REASONABLY REQUEST. THE NOTE OFFERING CIRCULAR CONTAINS CERTAIN INFORMATION CONCERNING THE NOTES (INCLUDING THE CLASS A-3L NOTES AND THE CLASS B-3L NOTES, A PORTION OF WHICH COMPRISE THE CLASS A-3L COMPONENT AND THE CLASS B-3L COMPONENT, RESPECTIVELY), THE ISSUER AND THE ISSUER'S ASSETS (INCLUDING THE PORTFOLIO COLLATERAL). INVESTORS INTERESTED IN PURCHASING THE CLASS P1 COMBINATION NOTES ARE STRONGLY URGED TO REVIEW THE NOTE OFFERING CIRCULAR, WHICH IS ATTACHED HERETO AS EXHIBIT A.

THIS SUMMARY OF TERMS IS NOT INTENDED TO FURNISH LEGAL, REGULATORY, TAX, ACCOUNTING, INVESTMENT OR OTHER ADVICE TO ANY PROSPECTIVE PURCHASER OF THE CLASS P1 COMBINATION NOTES. THIS SUMMARY OF TERMS (INCLUDING THE NOTE OFFERING CIRCULAR ATTACHED HERETO) SHOULD BE REVIEWED BY EACH PROSPECTIVE PURCHASER AND ITS LEGAL, REGULATORY, TAX, ACCOUNTING, INVESTMENT AND OTHER ADVISORS.

THE INITIAL PURCHASER AND THE ISSUER: (A) HAVE ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED AND WILL ONLY COMMUNICATE OR CAUSE TO BE COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA")) RECEIVED BY THEM IN CONNECTION WITH THE ISSUE OR SALE OF ANY OFFERED SECURITIES IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE ISSUER; AND (B) HAVE COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY THEM IN RELATION TO THE CLASS P1 COMBINATION NOTES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

NO INVITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THE CLASS P1 COMBINATION NOTES.

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.

THE DISTRIBUTION OF THIS SUMMARY OF TERMS AND THE OFFER OR SALE OF CLASS P1 COMBINATION NOTES MAY BE RESTRICTED BY LAW IN CERTAIN JURISDICTIONS. NONE OF THE ISSUER, THE CO-ISSUER, THE COLLATERAL MANAGER, ANY SWAP COUNTERPARTY, THE TRS SWAP COUNTERPARTY, THE INITIAL PURCHASER OR ITS GUARANTOR REPRESENTS THAT THIS DOCUMENT MAY BE LAWFULLY DISTRIBUTED, OR THAT ANY NOTES MAY BE LAWFULLY OFFERED, IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY SUCH JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, OR ASSUME ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, NO ACTION HAS BEEN TAKEN BY THE ISSUER, THE CO-ISSUER, ANY SWAP COUNTERPARTY, THE TRS SWAP COUNTERPARTY OR ITS GUARANTOR, THE COLLATERAL MANAGER OR THE INITIAL PURCHASER WHICH WOULD PERMIT A PUBLIC OFFERING OF ANY CLASS P1 COMBINATION NOTES OR DISTRIBUTION OF THIS DOCUMENT IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, NO CLASS P1 COMBINATION NOTES MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS SUMMARY OF TERMS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS SUMMARY OF TERMS OR ANY CLASS P1 COMBINATION NOTES COME MUST INFORM THEMSELVES ABOUT AND OBSERVE ANY SUCH RESTRICTIONS.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act for resales of the Class P1 Combination Notes, the Issuer and the Collateral Manager will make available to investors and prospective investors in the Class P1 Combination Notes who request such information, the information required to be delivered under Rule 144A(d)(4) under the Securities Act, if at the time of the request the Issuer is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. The Issuer does not expect to become such a reporting company or to be so exempt from reporting.

RISK FACTORS

An investment in the Class P1 Combination Notes may be affected by the following factors, as well as the factors described under "Risk Factors" in the Note Offering Circular.

20. Nature of the Class P1 Combination Notes. The Class P1 Combination Notes represent a portion of the Class A-3L Notes and a portion of the Class B-3l Notes. The Class P1 Combination Notes do not represent an additional obligation of the Issuer. Accordingly, the Class P1 Combination Notes are subject to considerations relating to the Class A-3L Notes and the Class B-3L Notes as described herein and in the Note Offering Circular.

21. Non-Recourse Obligations. The Class P1 Combination Notes (to the extent of the relevant Components (as defined herein) only) will be non-recourse obligations of the Issuer payable solely from the Portfolio Collateral and other Collateral pledged by the Issuer to secure the Notes and to make payments on the Preference Shares. None of the security holders, members, officers, directors, managers or incorporators of the Issuer, the Collateral Manager, the Initial Purchaser, the Trustee, the Paying Agent, the Administrator or any of their respective affiliates or any other person or entity will be obligated to make payments on the Class P1 Combination Notes. The Issuer will have no significant assets other than the Portfolio Collateral, the Eligible Investments and the Accounts. Consequently, Holders of the Class P1 Combination Notes must rely solely upon distributions on the Portfolio Collateral, the Eligible Investments and the Accounts for the payment of amounts payable in respect of the Class P1 Combination Notes. If distributions on such collateral are insufficient to make payments on the Class P1 Combination Notes, no other assets of the Issuer or any other person or entity will be available for the payment of the deficiency, and the Issuer will have no further obligation with respect thereto and any outstanding obligations shall be extinguished and shall not revive.

22. Subordination of the Class P1 Combination Notes. The Class P1 Combination Notes are subordinated in varying degrees to payments on the Notes and fees and expenses of the Co-Issuers. In particular, the Class A-3L Component is subordinated to payments on the Class A-1LA Revolving Notes, the Class A-1LB Notes and the Class A-2L Notes, and the Class B-3L Component is subordinated to payments on the Class A Notes, the Class B-1L Notes and the Class B-2L Notes, each as described more fully herein and in the Note Offering Circular. No distributions on the Class P1 Combination Notes (or the Components thereof) will be made to the holders of the Class P1 Combination Notes until all senior obligations due on such date have been paid in full. See "Description of the Notes—Payment on the Notes; Priority of Distributions" in the Note Offering Circular. In addition, in case of an Event of Default under the Indenture, as long as any Class A-1LA Revolving Notes, Class A-1LB Notes or Class A-2L Notes are outstanding, the holders of such Notes will be entitled to determine the remedies to be exercised under the Indenture. Remedies pursued by the holders of the Class A-1LA Revolving Notes, Class A-1LB Notes or Class A-2L Notes may adversely affect the interests of holders of Class P1 Combination Notes.

23. Restrictions on Transfer. The Class P1 Combination Notes have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or under any U.S. 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. The Issuer will not be registered as an investment company under the Investment Company Act of 1940. There is no market for the Class P1 Combination Notes offered hereby (and none is likely to develop) and, as a result, a holder of the Class P1 Combination Notes may find it difficult or uneconomic to liquidate its investment at any particular time. In addition, there are restrictions on transfer of the Class P1 Combination Notes. See "Description of the Class P1 Combination Notes—Restrictions on Transfer" herein.

24. Tax Considerations. For a discussion of certain tax considerations with respect to the Class P1 Combination Notes, see "Certain Tax Consequences".

25. ERISA Considerations. For a discussion of certain ERISA considerations with respect to the Class P1 Combination Notes, see "Certain ERISA Considerations".

26. 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 Issuer to enact anti-money laundering policies. It is possible that the Treasury will promulgate regulations requiring the Co-Issuers or the Initial Purchaser or other service providers to the Co-Issuers, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the Notes and/or the Class P1 Combination Notes. Such legislation and/or regulations could require the Co-Issuers to implement additional restrictions on the transfer of the Notes and/or the Class P1 Combination Notes. As may be required, the Issuer reserves the right to request such information and take such actions as are necessary to enable it to comply with the USA PATRIOT Act.

27. Emerging Requirements of the European Community. As part of the harmonization of transparency requirements, the European Commission is scheduled to adopt a directive known as the Transparency Directive 2004/109/EC that, among other things, will regulate issuers of securities that are offered to the public or admitted to trading on a European Union regulated market. The listing of the Class P1 Combination Notes on any European Union stock exchange would subject the Issuer to regulation under this directive, although the requirements applicable to the Issuer are not yet fully clarified. The Indenture will not require the Issuer to apply for, list or maintain a listing for any Class of Notes or the Class P1 Combination Notes on a European Union stock exchange if compliance with this directive (or other requirements adopted by the European Commission or a relevant member state) becomes burdensome in the sole judgment of the Collateral Manager.

THE ISSUER

The issuer of the Class P1 Combination Notes is Webster CDO I, Ltd., a limited liability company incorporated under the laws of the Cayman Islands (the "**Issuer**"). The Issuer has been established to acquire and manage a diversified portfolio of Credit Default Swaps and Non-Synthetic Portfolio Collateral, as more fully described in the Note Offering Circular. See "Security for the Notes" in the Note Offering Circular. The activities of the Issuer will be limited to (i) the issuance of the Preference Shares, the Notes and the Class P1 Combination Notes, (ii) the acquisition of, and investment and reinvestment in, the Portfolio Collateral and other assets permitted by the Indenture among the Issuer, the Co-Issuer and LaSalle Bank National Association, as trustee and as securities intermediary, (iii) the ownership of 100% of the capital stock of the Co-Issuer, and (iv) other activities incidental to the foregoing and permitted by the Indenture. For a more complete discussion of the Issuer, see "The Issuer and the Co-Issuer" in the Note Offering Circular.

DESCRIPTION OF THE CLASS P1 COMBINATION NOTES

General

The Issuer will issue the Class P1 Combination Notes Due April 2047 (the "**Class P1 Combination Notes**"). The Class P1 Combination Notes will be issued pursuant to the Indenture. The Class P1 Combination Notes will consist of two components: (i) the Class A-3L Component representing an initial aggregate principal amount of $5,000,000 Class A-3L Notes (the "**Class A-3L Component**") and (ii) the Class B-3L Component representing an initial aggregate principal amount of $5,000,000 Class B-3L Notes (the "**Class B-3L Component**" and together with the Class A-3L Component, the "**Components**"). The Class P1 Combination Notes do not represent an additional obligation of the Issuer. The Class P1 Combination Notes are a stapled security which represent their respective Components and the Components are not separately transferable; however, a holder may exchange its Class P1 Combination Notes for the corresponding interests in the Components as described herein. The holders of the Class P1 Combination Notes will be treated for all purposes under the Indenture (including in the exercise of any voting rights under the Indenture) as holders of the corresponding Components.

The assets of the Issuer are expected to be limited to the Portfolio Collateral having the characteristics described in the Note Offering Circular under "Security for the Notes" and the Trust Estate described therein, which, pursuant to the Indenture, will be pledged to secure and will be the sole source of payment of the Notes, the Preference Shares and the Class P1 Combination Notes, as applicable.

Investors considering the purchase of the Class P1 Combination Notes should consider carefully the discussion in the Note Offering Circular relating to the Class A-3L Notes and the Class B-3L Notes, including the Risk Factors applicable thereto.

Form and Denomination; Exchange and Transfer

The Class P1 Combination Notes will be issued in minimum denominations representing $200,000 of Class A-3L Notes and Class B-3L Notes (and integral multiples of $1 in excess thereof).

Upon issuance, the Class P1 Combination Notes sold to non-U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) (each, a "**non-U.S. Person**") in Offshore Transactions (as defined in Regulation S) in reliance on Regulation S, each of whom is required to be a Qualified Institutional Buyer, initially will be represented by a single, temporary global note in fully registered form without interest coupons (the "**Temporary Global Note**"), which will be deposited with a common depository on behalf of, Euroclear Bank, S.A./N.V., as operator of The Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**").

Subject to the receipt by the Paying Agent of a certificate in the form provided by the Indenture from the person holding such interest, a beneficial interest in the Temporary Global Note may be exchanged for (i) after the 40th day after the later of the conclusion of the offering and the Closing Date (the "**Exchange Date**"), an interest in a permanent global note in fully registered form without coupons (the "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**"), in an amount equal to the aggregate principal amount of such interest in the Temporary Global Note or (ii) at any time for a Definitive Note if a beneficial interest in a Global Note will be transferred to a Qualified Institutional Buyer who is a U.S. Person (as defined in Regulation S), which note will be registered in the name of such person.

Upon deposit of the Permanent Global Note with the common depository, Euroclear or Clearstream, as the case may be, will credit each purchaser (or its agent or custodian) with a principal amount of Class P1 Combination Notes equal to the principal amount thereof for which it has paid. The Holder of the Global Notes shall be the only person entitled to receive payments in respect of the Class P1

Combination Notes represented by such Global Notes, and the Issuer will be discharged by payment to, or to the order of, the Holder of such Global Notes in respect of each amount so paid. Each of the persons shown in the records of Euroclear or of Clearstream as the Holder of a particular principal amount of Global Notes must look solely to Euroclear or Clearstream, as the case may be, for its share of each payment so made by the Issuer to, or to the order of, the Holder of such Global Notes. No person other than the Holder of the Global Notes shall have any claim against the Issuer in respect of any payments due on the Global Notes.

Payments on the Global Notes will be made pursuant to certain procedures established between the Paying Agent and the common depository, *provided* that the final payment of principal or redemption payments and any additional amounts will be made upon presentation and endorsement of such Global Notes at the office of a Paying Agent. All such payments will be made by wire transfer from a United States dollar account maintained by a bank located outside the United States, to a United States dollar account maintained by such holder with a bank outside the United States, or, at the request of any holder, a United States dollar check delivered by a bank located outside the United States.

Definitive Notes will be issued and exchanged for each Permanent Global Note within 30 days of the occurrence of any of the following: (i) the Class P1 Combination Notes or any of them become immediately due and payable following an Event of Default under the Indenture; (ii) either Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Trustee is available or (iii) as a result of any amendment to, or change in, the laws or regulations of Cayman Islands or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or the Paying Agents are or will be required to make any deduction or withholding from any payment in respect of the Class P1 Combination Notes which would not be required were the Class P1 Combination Notes in definitive registered form. Notwithstanding the foregoing, interests in any Temporary Global Note or any definitive registered Class P1 Combination Note purchased by a non-U.S. Person in an Offshore Transaction in accordance with Regulation S may not be exchanged for a Definitive Note until receipt by the Transfer Agent from the owner of such beneficial interest of a certificate in the form provided by the Indenture.

Upon issuance, the Class P1 Combination Notes sold in the United States to Qualified Institutional Buyers who are U.S. Persons will be issued as definitive fully registered notes ("**Definitive Notes**").

Definitive Notes may be presented for registration of transfer (with the form of transfer endorsed thereon duly executed), at the office of the Transfer Agent, without service charge but upon payment of any taxes and other governmental charges as described in the Indenture. Any registration of transfer will be effected upon the Transfer Agent being satisfied with the documents of title and identity of the person making the request, upon their receipt of any applicable certificates and opinions relating to transfer restrictions, as described below, and subject to such reasonable regulations as the Issuer may from time to time agree with the Transfer Agent, all as described in the Indenture.

The Issuer shall maintain, or cause to be maintained, at a specific office a share register (the "**Share Register**") and shall maintain or cause to be maintained, at a specific office a note register (the "**Register**").

The Issuer has initially appointed LaSalle Bank National Association as an office or agent at which the Definitive Notes may be presented for payment or for transfer or exchange at the offices of LaSalle Bank National Association, 181 West Madison Street, 32nd Floor, Chicago, Illinois 60602, Attn.:

CDO Trust Services Group–Webster CDO I, Ltd. The Issuer will appoint LaSalle Bank National Association to act as the transfer agent (the "**Transfer Agent**") and the paying agent (the "**Paying Agent**") for the Class P1 Combination Notes. The Issuer reserves the right to vary or terminate the appointment of the Transfer Agent and the Paying Agent or to appoint additional or other Transfer Agents or Paying Agents or to approve any change in the office through which any Transfer Agent or Paying Agent acts, *provided* that there will at all times be an office or agent located in the United States at which the Definitive Notes may be presented for payment or for transfer or exchange.

A beneficial interest in a Global Note may only be transferred to (a) a non-U.S. person in an offshore transaction (as defined in Regulation S) (an "**Offshore Transaction**") in accordance with Regulation S (and in accordance with certain certification requirements in the Indenture) or (b) after the Exchange Date, a person who takes delivery in the form of a Definitive Note and delivers a written certification (in the form provided in the Indenture) to the effect that such person is a Qualified Institutional Buyer and is acquiring such interest for its own account (together with certain other requirements set forth in the Indenture). Upon any exchange of a portion of a Global Note for a Definitive Note, the Transfer Agent shall surrender the certificate representing the Global Note to the Issuer for cancellation and the Issuer shall issue a new certificate for the reduced Global Note and a new certificate in respect of the Definitive Note. The Issuer shall cause the Share Register and the Register to be updated accordingly.

Definitive Notes (or any interest therein) may only be transferred in accordance with the applicable laws of any State of the United States and (a) in a transaction exempt from the registration requirements of the Securities Act involving a Qualified Institutional Buyer who is a U.S. Person as transferee (in accordance with the certification requirements of the Indenture) or (b) to a person who takes delivery in the form of a beneficial interest in a Global Note and in such case only upon receipt by the Transfer Agent of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a Non-U.S. Person in accordance with Regulation S. Upon any exchange of a Definitive Note for a beneficial interest in a Global Note, the Transfer Agent shall surrender the Definitive Note and the Global Note to the Issuer for cancellation and the Issuer shall issue the Transfer Agent with a new certificate for the Global Note reflecting the increased Class P1 Combination Notes represented thereby. The Issuer shall cause the Share Register and the Register to be updated accordingly.

The registrar for the Class P1 Combination Notes will not be required to accept for registration of transfer any Class P1 Combination Note except upon presentation of a certificate representing that these restrictions on transfer have been complied with, and, if requested by the Issuer, the Trustee or the Transfer Agent, an opinion of counsel in form and substance satisfactory to the Issuer, the Trustee or the Transfer Agent, as applicable, to the effect that such transfer has been made in compliance with an applicable exemption from the registration requirements of the Securities Act and in accordance with any applicable securities laws of any state of the United States and any other jurisdiction. See "Transfer Restrictions."

No Class P1 Combination Notes may be sold or transferred unless such sale or transfer will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code. In addition, no Class P1 Combination Notes may be sold or transferred to any Plan, or to any person acting on behalf of or with "plan assets" of any Plan or to any other Benefit Plan Investor, including an insurance company general account, except in accordance with the restrictions set forth herein. See "Certain ERISA Considerations."

In addition, sales or other transfers of the Class P1 Combination Notes may only be made to a purchaser or other transferee (other than a non-U.S. Person in an offshore transaction under Regulation S)

that is a Qualified Purchaser in a sale or transfer that would not require the Issuer to become subject to the requirements of the Investment Company Act and the Class P1 Combination Notes will bear a legend to this effect.

Each prospective purchaser will be deemed to (i) represent that such prospective purchaser is a Qualified Institutional Buyer and a Qualified Purchaser or a Non-U.S. Person and is purchasing or acquiring the Class P1 Combination Notes solely for its own account, (ii) represent that such purchaser is not a foreign pension plan (or using assets of a foreign pension plan) and otherwise satisfies the ERISA requirements set forth herein under "Certain ERISA Considerations" and also those set forth in the form Class P1 Combination Notes investor representation letter provided by the Indenture and (iii) have made the additional representations described under "Delivery of the Notes; Transfer Restrictions; Settlement" in the Note Offering Circular.

The Class P1 Combination Notes may not be offered to, sold to or purchased or held by, or for the account of, persons (other than financial institutions) resident for income tax purposes in the Cayman Islands.

Redemption

The Class P1 Combination Notes will only be redeemed prior to the Final Maturity Date when and in the same manner as the Class A-3L Notes and the Class B-3L Notes are redeemed.

Allocation of Payments on the Class P1 Combination Notes

On each Payment Date on which payments of principal or interest are made on the Class A-3L Notes or the Class B-3L Notes, a portion of such payments or distributions will be allocated to the Class P1 Combination Notes based on the proportion that the Class A-3L Component and the Class B-3L Component bears to Aggregate Principal Amount of the Class A-3L Notes and Aggregate Principal Amount the Class B-3L Notes, as applicable (including all such Components). No other payments will be made on the Class P1 Combination Notes.

The "Aggregate Principal Amount" with respect to the Class P1 Combination Notes will equal the original principal amount of the Components reduced by all prior payments, if any, made with respect to principal of the Components. When a payment causing the reduction of the Aggregate Principal Amount of either the Class A-3L Notes or the Class B-3L Notes is made, the Aggregate Principal Amount of the Class A-3L Component or the Class B-3L Component, as applicable, will be reduced based on the proportion that the related Component bears to the Class of Notes.

For a description of the terms of the Notes, including the priority of distribution provisions applicable thereto, see "Description of the Notes" in the Note Offering Circular.

"Rated" Distributions on the Class P1 Combination Notes

The initial Rated Balance of the Class P1 Combination Notes will each be U.S.$10,000,000.

With respect to the Class P1 Combination Notes, "**Rated Balance**" initially means U.S.$10,000,000 and thereafter, as of any date of determination, such amount reduced by all payments on account of the Rated Balance as provided in the Indenture.

Solely for purposes of determining the Rated Balance of the Class P1 Combination Notes, all monies distributed to the related Components will be applied as follows:

All payments received on account of the Class A-3L Component and the Class B-3L Component, will be applied to reduce the Rated Balance of the Class P1 Combination Notes until the Rated Balance has been paid in full and thereafter any payment received will be deemed additional interest on such Class P1 Combination Notes. No interest will accrue on the Class P1 Combination Notes for purposes of determining the Rated Balance.

No interest will accrue on the Class P1 Combination Notes.

Exchange of Class P1 Combination Notes

Pursuant to the Indenture, a holder of a beneficial interest in a Class P1 Combination Note may exchange all or a proportionate amount of such Class P1 Combination Note for one or more Class A-3L Notes and Class B-3L Notes, in the manner described in the Indenture. Such Class A-3L Note or Class B-3L Note (collectively, "**Exchanged Interests**") may be in a principal amount smaller than the authorized minimum otherwise applicable thereto, *provided* that the exchanging Holder may not transfer any such Exchanged Interest except to a Person that, after giving effect to such transfer, would hold at least the authorized minimum principal amount applicable to such Exchanged Interests. The Transfer Agent, upon surrender of a Class P1 Combination Note with appropriate instructions, will direct the Trustee to issue separate Class A-3L Notes and Class B-3L Notes, evidencing the respective component of such Class P1 Combination Note or make appropriate adjustments to the Class A-3L Notes or Class B-3L Notes held in global form. No Holder of a Class A-3L Note or a Class B-3L Note (including a Holder that received such Class A-3L Note or Class B-3L Note upon an exchange of a Class P1 Combination Note) will have the right to exchange such Class A-3L Notes or Class B-3L Notes for a Class P1 Combination Note. No service charge will be made for any such exchange, but the Trustee or the Transfer Agent may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Voting of Class P1 Combination Notes

Holders of the Class P1 Combination Notes will be entitled to exercise voting rights as a separate Class only to the extent provided in the Indenture. The holders of the Class P1 Combination Notes will be entitled to vote as part of the Class A-3L Notes based on the proportion that the aggregate principal amount of the Class A-3L Component of such Class P1 Combination Notes bears to the aggregate principal amount of the Class A-3L Notes (including the Class A-3L Component). The holders of the Class P1 Combination Notes will be entitled to vote as part of the Class B-3L Notes based on the proportion that the aggregate principal amount of the Class B-3L Component of such Class P1 Combination Notes bears to the aggregate principal amount of the Class B-3L Notes (including the Class B-3L Component).

Legal Structure

For a description of certain provisions of the Indenture, see "Legal Structure" in the Note Offering Circular.

Prescription

Payments in respect of the Class P1 Combination Notes will cease to be due if not paid to the holder due to insufficient instructions for a period of ten years from the Relevant Date therefor. "**Relevant Date**" means the date on which the final payment in respect of Class P1 Combination Notes first becomes due, except that if the full amount of the monies payable has not been duly received by the Paying Agent on or prior to such due date, it means the date on which such monies have been so received.

Restrictions on Transfer

The Class P1 Combination Notes have not been registered under the Securities Act, the securities laws of any state of the United States or the securities laws of any other jurisdiction, and are being issued and sold in reliance upon exemptions from registration provided by such laws. There is no market for the Class P1 Combination Notes being offered hereby and, as a result, a purchaser must be prepared to hold the Class P1 Combination Notes for an indefinite period of time. No Class P1 Combination Notes may be sold or transferred unless such sale or transfer (i) is exempt from the registration requirements of the Securities Act (for example, in reliance on exemptions provided by Rule 144A or Regulation S under the Securities Act) and other applicable securities laws, (ii) satisfies the transfer restrictions described in "Certain ERISA Considerations" herein, (iii) does not cause the Issuer to become subject to the registration requirements of the Investment Company Act, including by selling or otherwise transferring the Class P1 Combination Notes to a purchaser or other transferee (other than a non-U.S. Person) which is not a "qualified purchaser" within the meaning of Section 3(c)(7) of the Investment Company Act, and (iv) otherwise fully complies with the Indenture. The Class P1 Combination Notes may not be sold or transferred to any Plan, to any person acting on behalf of or with "plan assets" of any Plan, or to any other Benefit Plan Investor other than as described herein under "Certain ERISA Considerations."

Governing Law

The Class P1 Combination Notes, to the extent of the Components, and the Indenture will be governed by and construed in accordance with the laws of the State of New York. The Issuer will irrevocably submit to the federal court sitting in the City and County of New York over any suit, action or proceeding arising out of or relating to any of the Notes, the Class P1 Combination Notes and the Indenture.

Ratings

It is expected that the Class P1 Combination Notes will be rated "A2" by Moody's, with respect only to the ultimate receipt of the Rated Balance of the Class P1 Combination Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

THE COLLATERAL MANAGER AND THE COLLATERAL MANAGEMENT AGREEMENT

Vanderbilt Capital Advisors, LLC (the "**Collateral Manager**") will manage the Portfolio Collateral and perform certain other functions pursuant to an investment management agreement with the Issuer (the "**Collateral Management Agreement**"). For a description of the Collateral Manager and the Collateral Management Agreement, see "The Collateral Manager" and "The Collateral Management Agreement," in the Note Offering Circular.

ASSETS OF THE ISSUER

For a description of the assets of the Issuer, including a description of the criteria for the purchase or substitution of the Portfolio Collateral, see "Security for the Notes" in the Note Offering Circular.

CERTAIN TAX CONSEQUENCES

United States Taxation

The Issuer intends to take the position that, for United States federal income tax purposes, the Class P1 Combination Notes consists of two respective Components: the Class A-3L Component and the Class B-3L Component representing the Class A-3L Notes and the Class B-3L Notes, respectively, such Components being the sole source of payments for the Class P1 Combination Notes. All holders of the Class P1 Combination Notes should review the tax section in Note Offering Circular with respect to the Class A-3L Notes and the Class B-3L Notes to determine the United States federal, state, local, and other tax consequences of the purchase, ownership, and disposition of the Class P1 Combination Notes, including whether to make a QEF election for the Class A-3L Notes or the Class B-3L Notes. In addition, as indicated in the Note Offering Circular, all of such holders should consult with their own tax advisors with respect to such issues.

Cayman Islands Taxation

The following discussion of certain Cayman Islands income tax consequences of an investment in the Class P1 Combination Notes is based on the advice of Maples and Calder as to Cayman Islands law. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It assumes that the Issuer will conduct its affairs in accordance with assumptions made by, and representations made to, counsel. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws:

(i) distributions on the Class P1 Combination Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of a Class P1 Combination Note and gains derived from the sale of Class P1 Combination Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and

(ii) the holder of any Class P1 Combination Note (or the legal personal representative of such holder) whose Class P1 Combination Note is brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Class P1 Combination Note, and any agreement to transfer a Class P1 Combination Note or Component if executed or brought into the Cayman Islands will be subject to nominal Cayman Islands stamp duty.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and has obtained an undertaking from the Governor in Cabinet of the Cayman Islands in 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 Webster CLO I, Ltd. (the "**Company**"):

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

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

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

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

These concessions shall be for a period of twenty years from the 7th day of November, 2006.

CERTAIN ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes requirements on employee benefit plans (as defined in Section 3(3) of ERISA) subject to Title I of ERISA ("**ERISA Plans**") and on persons who are fiduciaries (as defined in Section 3(21) of ERISA) with respect to such ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification, requirements respecting delegation of investment authority and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. Each ERISA Plan fiduciary should give appropriate consideration to the facts and circumstances that are relevant to an investment in the Notes, including the role that an investment in the Notes plays in the ERISA Plan's investment portfolio. Before deciding to invest "plan assets" of any ERISA Plan in the Notes, the investing ERISA Plan fiduciary should be satisfied that investment in the Notes is a prudent investment for the ERISA Plan, that the investments of the ERISA Plan, including the investment in the Notes, are diversified so as to minimize the risk of large losses and that an investment in the Notes complies with the ERISA Plan and related trust documents. Any person who decides to invest "plan assets" of an ERISA Plan in the Notes should consider, among other factors, the factors discussed above under "Risk Factors."

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans, as well as individual retirement accounts and Keogh plans, subject to either or both of such statutes (each, a "**Plan**") from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under Section 4975 of the Code (collectively, "**Parties in Interest**") with respect to such Plans. A violation of these prohibited transaction rules may result in an excise tax or other penalties and liabilities under ERISA and/or Section 4975 of the Code for such persons.

Certain transactions involving the purchase, holding or transfer of the Notes might be deemed to constitute or result in prohibited transactions under ERISA and/or Section 4975 of the Code. For example, if the "plan assets" of an investing Plan were deemed to include assets of the Issuer and if any of the Portfolio Collateral constitutes an obligation of or is purchased from or sold to a Party in Interest with respect to such Plan, an indirect prohibited transaction in the nature of an extension of credit or a purchase or sale of assets between such Plan and such Party in Interest might be deemed to occur. In addition, if the assets of the Issuer were deemed to be "plan assets" of any Plan investors, Notes sold to a Party in Interest with respect to such Plan would constitute a prohibited extension of credit transaction, possibly subjecting such Noteholder to excise taxes under Section 4975 of the Code. Under Section 3(42) of ERISA and regulations issued by the United States Department of Labor ("**DOL**"), set forth in 29 C.F.R. § 2510.3-101 (collectively, the "**Plan Asset Regulations**"), the assets of the Issuer would be treated as "plan assets" of a Plan for purposes of ERISA and Section 4975 of the Code if the Plan acquires an equity interest in the Issuer and none of the exceptions contained in the Plan Asset Regulations applies. An equity interest is defined under the Plan Asset Regulations as any interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features.

Although there is no authority directly on point, it is anticipated that the Class P1 Combination Notes will be treated as equity interests for purposes of the Plan Asset Regulations. An exception under the Plan Asset Regulations provides that an investing Plan's assets will not include any of the underlying assets of an entity if equity participation in the entity by "benefit plan investors" is not "significant." The Plan Asset Regulations define a "benefit plan investor" as including (i) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA; (ii) a plan described in and subject to Section 4975 of the Code; and (iii) an entity whose underlying assets include "plan assets" by reason of a Plan's investment in the entity (a "Benefit Plan Investor"). The Plan Asset Regulations provide that equity participation in an entity by Benefit Plan Investors is "significant" if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests in the entity is held by Benefit Plan Investors. For purposes of determining whether this 25% threshold has been met or exceeded, the value of any equity interests held by a person (other than such Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the entity, or any person who provides investment advice for a fee (directly or indirectly) with respect to such assets, or any affiliate of such person, is disregarded.

Accordingly, except as set forth below, the Class P1 Combination Notes may not be acquired or held by or on behalf of, or with "plan assets" of, any Plan or other Benefit Plan Investor, including an insurance company general account. However, the Class P1 Combination Notes may be acquired and held by or on behalf of, or with "plan assets" of, a Plan or other Benefit Plan Investor if:

(a) (1)(A) The investor is purchasing the Class P1 Combination Notes with assets of an "insurance company general account" (within the meaning of PTCE 95-60) (a "General Account"); (B) the investor's purchase and holding of the Class P1 Combination Notes are eligible for the exemptive relief afforded under Section I of PTCE 95-60; (C) less than 25% of the assets of such General Account constitute "plan assets" of Benefit Plan Investors; and (D) if, after the initial acquisition of Class P1 Combination Notes, during any calendar quarter 25% or more of the assets of such General Account (as determined by such insurance company) constitute "plan assets" of any Plan or other Benefit Plan Investor and no exemption or exception from the prohibited transaction rules applies such that the continued holding of the Class P1 Combination Notes would not result in violations of Section 406 of ERISA or Section 4975 of the Code then such investor will dispose of all of the Class P1 Combination Notes then held in such General Account by the end of the next following calendar quarter; or (2) the investor's purchase and holding of the Class P1 Combination Notes are eligible for the exemptive relief afforded under any of Section 408(b)(17) of ERISA or PTCE 96-23, 91-38, 90-1 or 84-14; and

(b) After giving effect to such purchase and all other purchases occurring simultaneously therewith, less than 25% of each of the Class P1 Combination Notes and the Class B-3L Notes (including the Class B-3L Component of the Class P1 Combination Notes) (other than any Class P1 Combination Notes or Class B-3L Notes held by the Collateral Manager or its affiliates) will be held by Benefit Plan Investors.

In addition, except as otherwise provided in the Indenture, if an investor (whether or not it is a Plan or a Benefit Plan Investor) purchases a Class P1 Combination Note and if, after giving effect to such purchase, the investor (or its affiliates) will own 50% or more of the aggregate par value of the Class P1 Combination Notes and Class B-3L Notes, the investor should consult with its counsel regarding the effect such an investment may have on its ability (and that of its affiliates and their Plans) to purchase Class A Notes, Class B-1L Notes or Class B-2L Notes in reliance upon any of PTCE 96-23, 95-60, 91-38, 90-1 or 84-14.

Except with respect to certain secondary market transactions through the Initial Purchaser, as more fully described in the Indenture, by its purchase of the Class P1 Combination Notes issued under Rule 144A as Definitive Notes, each such purchaser and transferee will be required to represent and warrant in writing to and agree with the Issuer, the Collateral Manager and the Trustee that (i) its purchase and holding of such Class P1 Combination Notes will satisfy the ERISA requirements described above and (ii) it will not assign or transfer such Class P1 Combination Notes unless (1) the proposed assignee or transferee delivers a letter to the Issuer evidencing its agreement to the foregoing ERISA representations and covenants with respect to its purchase, holding and transfer of such Class P1 Combination Notes and (2) if the investor:

(x) Is not (and is not acting on behalf of) a Benefit Plan Investor, the assignee or transferee will also not be a Benefit Plan Investor; or

(y) Is (or is acting on behalf of) a General Account, the assignee or transferee will be accurately identified in such letter as either another General Account or a person who is not (and is not acting on behalf of) a Benefit Plan Investor; or

(z) Is (or is acting on behalf of or with "plan assets" of) a Benefit Plan Investor (other than a General Account), the assignee or transferee will be accurately identified in such letter as either a General Account, another Benefit Plan Investor or a person who is not (and is not acting on behalf of) any Benefit Plan Investor.

By its purchase of Class P1 Combination Notes issued in the form of Regulation S Global Notes, each such purchaser and transferee will be required to represent and warrant to and agree with the Issuer, the Collateral Manager and the Trustee that it will not assign or transfer such Class P1 Combination Notes if the assignee or transferee will be a Benefit Plan Investor; provided that, if the Initial Purchaser acquires Class P1 Combination Notes issued in the form of Regulation S Global Notes in the secondary market from Benefit Plan Investors, the Initial Purchaser may assign or transfer such Class P1 Combination Notes in the form of Regulation S Global Notes to an assignee or transferee that is a Benefit Plan Investor provided that the other requirements set forth herein are satisfied.

Each Holder of a Class P1 Combination Note, by its acquisition thereof, shall be deemed to represent to the Issuer, the Collateral Manager and the Trustee that either (a) no part of the funds being used to pay the purchase price for such Note constitutes "plan assets" of any Plan, or (b) if the funds being used to pay the purchase price for such Note include "plan assets" of any Plan or any other Benefit Plan Investor, (1) either (i) it is an insurance company and such funds include only assets of its general account, and its acquisition and holding of such Class P1 Combination Note are eligible for the exemptive relief available under Section I of PTCE 95-60, or (ii) its acquisition and holding of such Class P1 Combination Note are eligible for the exemptive relief available under any of Section 408(b)(17) of ERISA PTCE 96-23, 91-38, 90-1 or 84-14, and (2) the ERISA restrictions with respect to the 25% limitation set forth above have been satisfied.

USE OF PROCEEDS

The proceeds from the sale of the Class P1 Combination Notes, together with the proceeds from the sale of the Notes, the Preference Shares and certain other amounts, will be applied by the Issuer in the manner described in the Note Offering Circular.

CERTAIN LEGAL MATTERS

Certain legal matters, including certain matters relating to certain United States federal income tax consequences of the ownership of the Class P1 Combination Notes, will be passed upon for the Issuer and the Initial Purchaser by Orrick, Herrington & Sutcliffe LLP, New York, New York. Certain legal matters relating to the Class P1 Combination Notes, including matters relating to the laws of the Cayman Islands will be passed on for the Issuer by Maples and Calder. As to all matters of Cayman Islands law, Orrick, Herrington & Sutcliffe LLP will rely on the opinions of Maples and Calder.

PRINCIPAL OFFICES

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IRISH PAYING AGENT

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WEBSTER CDO I, LTD.

WEBSTER CDO I (DELAWARE) CORP.

U.S.$609,000,000 Class A-1LA Revolving Notes Due April 2047

U.S.$158,000,000 Class A-1LB Floating Rate Notes Due April 2047

U.S.$70,000,000 Class A-2L Floating Rate Notes Due April 2047

U.S.$59,000,000 Class A-3L Floating Rate Deferrable Notes Due April 2047

U.S.$10,000,000 Class A-4L Floating Rate Deferrable Notes Due April 2047

U.S.$32,000,000 Class B-1L Floating Rate Deferrable Notes Due April 2047

U.S.$10,000,000 Class B-2L Floating Rate Deferrable Notes Due April 2047

U.S.$9,000,000 Class B-3L Floating Rate Deferrable Notes Due April 2047

OFFERING CIRCULAR

April 18, 2007