PRIVATE PLACEMENT MEMORANDUM

LCM VII LTD.

STRUCTURED ENHANCED RETURN VEHICLE SECURITIES (SERVES®)

U.S.$126,000,000 Class A-1 Revolving Notes
U.S.$250,000,000 Class A-2 Term Notes
U.S.$20,000,000 Class B Notes
U.S.$42,763,000 Class C Notes
U.S.$29,040,000 Class D Notes
U.S.$937,000 Class E-1 Notes
U.S.$937,000 Class E-2 Notes

LCM VII Ltd. (the "**Issuer**"), an exempted company with limited liability incorporated in the Cayman Islands, will issue the Class A-1 Revolving Notes (the "**Class A-1 Revolving Notes**"), the Class A-2 Term Notes (the "**Class A-2 Term Notes**," and together with the Class A-1 Revolving Notes, the "**Class A Notes**"), the Class B Notes (the "**Class B Notes**"), the Class C Notes, (the "**Class C Notes**"), the Class D Notes (the "**Class D Notes**" and together with the Class A Notes, the Class B Notes and Class C Notes, the "**Senior Notes**"), the Class E-1 Notes (the "**Class E-1 Notes**") and the Class E-2 Notes (the "**Class E-2 Notes**," together with the Class E-1 Notes, the "**Class E Notes**," and together with the Senior Notes, the "**Notes**" or the "**SERVES**"), in the respective principal amounts set forth above. The Notes will be issued pursuant to an Indenture, dated as of August 2, 2007 (the "**Indenture**"), between the Issuer and Deutsche Bank Trust Company Americas, as trustee (the "**Trustee**").

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

The Issuer will pay interest in respect of the Notes quarterly, on the 1st day of each February, May, August and November, commencing on February 1, 2008 (or, if any such day is not a Business Day, the next succeeding Business Day) (each a "**Quarterly Payment Date**"). The Notes will be scheduled to mature on August 1, 2019 (the "**Scheduled Maturity Date**"), but may be redeemed in whole or in part prior to such date under the circumstances described herein.

The interest rate on the Class A Notes (the "**Class A Note Rate**") will be (a) for the period from the Closing Date to, but excluding, August 1, 2013, LIBOR plus 0.30% and (b) for the period from, and including, August 1, 2013 to, but excluding, the Scheduled Maturity Date, LIBOR plus 0.60%. The interest rate on the Class B Notes (the "**Class B Note Rate**") will be LIBOR plus 0.90%. The interest rate on the Class C Notes (the "**Class C Note Rate**") will be will be LIBOR plus 1.50%. The interest rate on the Class D Notes (the "**Class D Note Rate**") will be (a) for the period from the Closing Date to, but excluding, August 1, 2013, LIBOR plus 4.00% and (b) for the period from, and including, August 1, 2013 to, but excluding, the Scheduled Maturity Date, LIBOR plus 1.50%. The holders of the Class D Notes will also be entitled to receive additional interest during the periods described in (a) and (b) above at the rates of 0.00% and 2.50%, respectively; *provided,* that the Issuer will pay such additional interest only if certain conditions described herein are satisfied. The Class E Notes will bear interest at LIBOR plus 5.00% (the "**Class E Note Rate**"). In addition to the payment of interest at the rates described above, the holders of the Class D Notes and the Class E Notes will be entitled to additional payments described herein if certain conditions are satisfied. See "*Description of the SERVES — Priority of Payments*."

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

There will be no secondary market for the SERVES prior to the offering hereof. There can be no assurance that a secondary market for the SERVES will develop or, if it does develop, that it will continue. The SERVES will be offered at privately negotiated prices at the time of sale.

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

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

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

The SERVES will be offered when, as and if delivered and subject to the right of the Placement Agent to reject orders in whole or in part. It is expected that the SERVES will be delivered on or about August 2, 2007 (the "**Closing Date**"), against payment therefor in immediately available funds. No application will be made to list the SERVES on any securities exchange.

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

BANC OF AMERICA SECURITIES LLC

The date of this Private Placement Memorandum is July 31, 2007.

NOTICE TO NEW HAMPSHIRE INVESTORS

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire revised statutes with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State of New Hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

NOTICES TO PURCHASERS

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

The purchaser of a SERVES, by its acceptance thereof, will be deemed to represent, acknowledge and agree that it will resell, pledge or otherwise transfer such SERVES only in compliance with the Securities Act and other applicable laws and (a) with respect to the Class A Notes, the Class B Notes or the Class C Notes, in compliance with Rule 144A under the Securities Act to a person which the seller reasonably believes is a "Qualified Institutional Buyer" (as defined in Rule 144A) purchasing for its own account or for the account of a Qualified Institutional Buyer; (b) with respect to the Class D Notes or the Class E-1 Notes, to an "Accredited Investor" as defined in Rule 501(a) of Regulation D under the Securities Act or a Qualified Institutional Buyer; or (c) with respect to all SERVES, to a non-U.S. Person outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act In addition, the purchaser of a SERVES, by its acceptance thereof, will be deemed to represent, acknowledge and agree that, among other things, it will not resell, pledge or otherwise transfer such SERVES other than to (i) a non-U.S. Person in an offshore transaction in compliance with Rule 903 or Rule 904 of Regulation S or (ii) for SERVES other than the Class E-2 Notes, to a person which the seller reasonably believes is a Qualified Institutional Buyer (or an Accredited Investor in the case of the Class D Notes or the Class E-1 Notes) that is also a "Qualified Purchaser" within the meaning of the Investment Company Act, in each case, in a transaction that does not cause the Issuer to be required to register under the Investment Company Act. In addition, no resale or transfer of the Class A-1 Revolving Notes may be

effected unless the Collateral Manager has provided its written consent thereto, such consent not to be unreasonably withheld or delayed. See also "*Purchase and Transfer Restrictions*." There are restrictions on sales or transfers to a Benefit Plan Investor. See "*ERISA Considerations*."

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

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

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

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

Except for the information set forth under "*The Collateral Manager*" and "*Risk Factors — Other Considerations — Certain Conflicts of Interest — The Collateral Manager*" neither the Collateral Manager nor any of its Affiliates: (a) makes any representation or warranty as to, or assumes any responsibility for, the accuracy or completeness of the information contained herein or (b) has independently verified any such information or assumes any responsibility for its accuracy or completeness.

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

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

An investment in the SERVES is only suitable for financially sophisticated investors which are capable of evaluating the merits and risks of such investment and which have

sufficient resources to be able to bear any losses which may result from such an investment. In addition, the financial condition of an investor in the SERVES should be such that such investor has no need for liquidity with respect to the SERVES and no need to dispose of its SERVES or any portion thereof to satisfy any existing or contemplated indebtedness, obligations or other undertaking.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS, EACH RECIPIENT OF THIS PRIVATE PLACEMENT MEMORANDUM (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO THE RECIPIENT RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE.

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

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

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

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

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

The Placement Agent has represented, warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any SERVES in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the SERVES in, from or otherwise involving the United Kingdom.

EUROPEAN ECONOMIC AREA

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Placement Agent has

represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an Offer of Securities to the Public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an Offer of Securities to the Public in that Relevant Member State:

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

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

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

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

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

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

laws and regulations. Persons into whose possession this Private Placement Memorandum or any SERVES come must inform themselves about and observe any such restrictions.

CERTAIN CONSIDERATIONS RELATING TO THE CAYMAN ISLANDS

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

FORWARD LOOKING STATEMENTS

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

Some important factors that could cause actual results to differ materially from those in any forward looking statements include, among others, changes in interest rates; market, financial, or legal uncertainties; differences in the actual allocation of the CDO Assets among categories from those assumed and the performance of the CDO Assets. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Placement Agent, the Collateral Manager, the Trustee, the Collateral Administrator, the Warehouse Providers or any of their respective Affiliates or any other person or entity, of the results that will actually be achieved by the Issuer.

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act for resales of the Notes, the Issuer will make available to holders of the Notes and prospective purchasers who request

such information, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer is not a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") or if the Issuer is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. Copies of such information may be obtained free of charge from the office of the Trustee. The Issuer does not expect to become such a reporting company or to be so exempt from reporting. The Issuer will also furnish to the holders of the Notes certain other information on a periodic basis.

CERTAIN LEGAL INVESTMENT CONSIDERATIONS

Institutions whose investment activities are subject to investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investments in the SERVES. Any such institution should consult its legal advisers in determining whether and to what extent there may be restrictions on its ability to invest in the SERVES. Without limiting the foregoing, any financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, any state insurance commission, or any other federal or state agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing the SERVES. Depository institutions should review and consider the applicability of the Federal Financial Institutions Examination Council Supervisory Policy Statement on Securities Activities, which has been adopted by the respective federal regulators.

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

TABLE OF CONTENTS

Page

SUMMARY

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Private Placement Memorandum. An index of capitalized terms used in this Private Placement Memorandum appears at the end of this Private Placement Memorandum.

The Issuer:

LCM VII Ltd. (the "**Issuer**") is an exempted company with limited liability incorporated under the laws of the Cayman Islands. The Issuer has no prior operating experience (other than pursuant to the Warehousing Facilities). The Issuer will not undertake any activities other than issuing the Notes, investing and reinvesting in CDO Assets and Eligible Investments the proceeds from the sale of the Notes and payments received in respect of the CDO Assets, entering into and performing its obligations under the Collateral Management Agreement, entering into and performing its obligations under such placement and subscription agreements as may be necessary in connection with the offering and sale of the Notes from time to time, fulfilling its obligations under the Warehousing Facilities and engaging in such other activities which are necessary, suitable or convenient to accomplish the foregoing, all as described in this Private Placement Memorandum and in accordance with the Indenture and the Formation Documents of the Issuer. Payments received by the Issuer in respect of the Collateral securing the Notes will be the only source of moneys for the Issuer.

The Issuer has an authorized share capital of U.S.$50,000, consisting of 50,000 ordinary shares with a par value of U.S.$1.00 per share (the "**Ordinary Shares**"). 250 of the Ordinary Shares have been issued and are held by Maples Finance Limited ("**Maples Finance**") under the terms of a declaration of trust.

The Company Administrator:

Maples Finance will act as administrator (in such capacity, the "**Company Administrator**") and will perform certain administrative services for the Issuer in the Cayman Islands pursuant to an administration agreement, dated as of March 8, 2007 (the "**Company Administration Agreement**"), between the Company Administrator and the Issuer.

The Collateral Administrator:

Deutsche Bank Trust Company Americas will act as collateral administrator (the "**Collateral Administrator**") pursuant to the Collateral Administration Agreement, to be dated as of the Closing Date (the "**Collateral Administration Agreement**"), among the Issuer, the Collateral Manager and the Collateral Administrator. The Collateral Administrator will assist the Issuer and the Collateral Manager in connection with their monitoring of the CDO Assets on an ongoing basis and compiling certain reports, schedules and calculations required to be

prepared by the Issuer under the Indenture or the Collateral Manager under the Collateral Management Agreement.

Securities Offered: The Issuer will issue pursuant to the Indenture U.S.$126,000,000 aggregate principal amount of Class A-1 Revolving Notes (the "**Class A-1 Revolving Notes**"), U.S.$250,000,000 aggregate principal amount of Class A-2 Term Notes (the "**Class A-2 Term Notes**," and together with the Class A-1 Revolving Notes the "**Class A Notes**"), U.S.$20,000,000 aggregate principal amount of Class B Notes (the "**Class B Notes**"), U.S.$42,763,000 aggregate principal amount of Class C Notes (the "**Class C Notes**"), U.S.$29,040,000 aggregate principal amount of Class D Notes (the "**Class D Notes**" and together with the Class A Notes, the Class B Notes and the Class C Notes, the "**Senior Notes**"), U.S.$937,000 aggregate principal amount of Class E-1 Notes (the "**Class E-1 Notes**") and U.S.$937,000 aggregate principal amount of Class E-2 Notes, (the "**Class E-2 Notes**," together with the Class E-1 Notes, the "**Class E Notes**," and together with the Senior Notes, the "**Notes**" or the "**SERVES**").

The interest rate on the Class A Notes (the "**Class A Note Rate**") will be (a) for the period from the Closing Date to, but excluding, August 1, 2013, LIBOR plus 0.30% and (b) for the period from, and including, August 1, 2013 to, but excluding, the Scheduled Maturity Date, LIBOR plus 0.60%. The interest rate on the Class B Notes (the "**Class B Note Rate**") will be LIBOR plus 0.90%. The interest rate on the Class C Notes (the "**Class C Note Rate**") will be LIBOR plus 1.50%. The interest rate on the Class D Notes (the "**Class D Note Rate**") will be (a) for the period from the Closing Date to, but excluding, August 1, 2013, LIBOR plus 4.00% and (b) for the period from, and including, August 1, 2013 to, but excluding, the Scheduled Maturity Date, LIBOR plus 1.50%. The holders of the Class D Notes will also be entitled to receive additional interest during the periods described in (a) and (b) above at the rates of 0.00% and 2.50%, respectively, (the "**Class D Note Additional Interest Rate**"); *provided* that the Issuer will pay such additional interest only if certain conditions described herein are satisfied. The Class E Notes will bear interest at LIBOR plus 5.00% (the "**Class E Note Rate**"). In addition to the payment of interest at the rates described above, the holders of the Class D Notes and the Class E Notes will be entitled to additional payments described herein if certain conditions are satisfied. See "*Description of the SERVES — Priority of Payments*."

The Notes will be scheduled to mature on August 1, 2019 (the "**Scheduled Maturity Date**"), but will be subject to redemption in whole or in part prior to such date under the circumstances described herein. See "*Risk Factors*" for the description therein of various risks that may adversely affect the ability of the holders of the Notes to be repaid in full the amount of their investment therein.

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

Purchases of Initial SERVES:

On the Closing Date, the initial investors of the Notes will commit to purchase the full amount of the Notes, at prices negotiated at the time of sale. Purchases will be required to be made on the Closing Date in the aggregate principal amount of U.S.$250,000,000 of the Class A-2 Term Notes, U.S.$20,000,000 of the Class B Notes, U.S.$42,763,000 of the Class C Notes, U.S.$29,040,000 of the Class D Notes, U.S.$937,000 of the Class E-1 Notes and U.S.$937,000 of the Class E-2 Notes. The funded amount of the Class A-1 Revolving Notes is expected to be U.S.$31,000,000 on the Closing Date.

Pursuant to one or more purchase agreements to be entered into on the Closing Date by and among the Issuer and the holders of the Class A-1 Revolving Notes (each a "**Class A-1 Revolving Note Purchase Agreement**") and subject to compliance with certain borrowing conditions specified therein, the Issuer may, from time to time, request advances, repay such advances and then reborrow amounts from the holders of the Class A-1 Revolving Notes, and the holders of the Class A-1 Revolving Notes will agree to make such advances to the Issuer in an aggregate principal amount at any one time outstanding of up to U.S.$126,000,000 (see "*Description of the SERVES — The Class A-1 Revolving Notes*"). Among other borrowing conditions, the holders of the Class A-1 Revolving Notes will be obligated to make advances to the Issuer if the proceeds of the related advances are required by the Issuer for the purposes of (a) purchasing CDO Assets prior to the Note Amortization Period and (b) making payments and distributions pursuant to paragraphs (1) through (11) of the Quarterly Priority of Payments. Each purchaser of Class A-1 Revolving Notes will be required to satisfy, in addition to the other requirements specified herein, the Ratings Criteria. In addition, no resale or transfer of the Class A-1 Revolving Notes may be effected unless the Collateral Manager has provided its written consent thereto, such consent not to be unreasonably withheld or delayed.

Ratings:

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

and to pay the Outstanding Principal Amount of such Classes on the Scheduled Maturity Date, and with respect to the Class E-1 Notes and the Class E-2 Notes to pay the Outstanding Principal Amount of such Classes on the Scheduled Maturity Date, as contemplated by the Basic Documents. The ratings will not address the ability of the Issuer to pay the Outstanding Principal Amount of such Notes at any time prior to the Scheduled Maturity Date or to make any other payments with respect to the Notes (including the payment of any interest on the Class D Notes at the Class D Note Additional Interest Rate). See "*Description of the SERVES*" and "*Rating of the Notes*."

Use of Proceeds and Indenture Accounts:

The net proceeds from the issuance of the Notes (less U.S.$255,000) received by the Issuer on the Closing Date will be deposited into an account with the Trustee to be designated the "**Principal Collateral Account**." The remaining U.S.$255,000 of net proceeds will be deposited into an account with the Trustee to be designated the "**Closing Date Expense Account**" which proceeds shall be applied after the Closing Date to pay any outstanding initial fees and expenses of the Issuer with respect to the offering of the Notes which were not paid on the Closing Date.

On the Closing Date, the Issuer will utilize the net proceeds deposited in the Principal Collateral Account to repurchase participations sold with respect to, or to repay funds borrowed to purchase, the Warehoused Loans pursuant to the Warehousing Facilities, and the related Warehoused Loans will be the initial CDO Assets in the CDO Portfolio. See "*The Warehousing Facilities*."

Funds in the Principal Collateral Account will be invested at the written direction of the Collateral Manager in CDO Assets and Eligible Investments. All investment income from CDO Assets and Eligible Investments will be deposited immediately upon receipt into the Interest Collateral Account. On the first Quarterly Payment Date, the Trustee shall deposit all funds remaining in the Closing Date Expense Account into an account with the Trustee to be designated the "**Interest Collateral Account**" and such deposited funds, together with other amounts on deposit therein, will be used to make payments and distributions in accordance with the Quarterly Priority of Payments on the first Quarterly Payment Date. On each Quarterly Payment Date, any moneys in the Interest Collateral Account, after all of the payments are made in accordance with the Quarterly Priority of Payments, will be transferred to the Principal Collateral Account.

Mandatory Redemption in Part:

During the Note Amortization Period, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will be subject to mandatory redemption in part as provided in the Indenture, to the extent that moneys are available thereunder to effect such redemption. In

connection with any mandatory redemption, the Class B Notes, the Class C Notes and/or the Class D Notes will be redeemed in an amount determined by reference to the Maximum Leverage Factor, with any remaining available moneys on such Quarterly Payment Date being used to repay the Class A-1 Revolving Notes and redeem the Class A-2 Term Notes; *provided*, that the Class A-1 Revolving Notes will be repaid in full (but not redeemed) prior to any such redemption of the Class A-2 Term Notes; *provided further,* that if the amounts owing described under clauses (1) through (11) of "*— Priority of Payments — Quarterly Priority of Payments,*" are not paid in full on the related Quarterly Payment Date, then available monies will be used to redeem the Class A-1 Revolving Notes in full and thereafter to redeem the Class A-2 Term Notes in full. The Class E Notes will not be subject to mandatory redemption in part. The repayment and redemption payment will be made solely from amounts realized from the liquidation of Eligible Investments on deposit in the Principal Collateral Account. See "*Description of the SERVES — Redemption of the SERVES*" and "*Description of the SERVES — Priority of Payments — Quarterly Priority of Payments*."

Optional Redemption: The Notes will also be subject to redemption (in whole, but not in part) subsequent to the Lock-Out Date at the option of the holders of more than 66-2/3% of the Outstanding Principal Amount of the Class D Notes; *provided* that such Noteholders designate in the notice of redemption delivered by them to the Trustee and the Collateral Manager a redemption date not less than 30 days, nor more than 150 days, following the date of delivery of such notice. Such redemption will only be effective if sufficient funds are available in the Principal Collateral Account and the Interest Collateral Account (after giving effect to the liquidation of all of the CDO Assets and other Eligible Investments) to make all distributions pursuant to paragraphs (1) through (16) of the Maturity Date Priority of Payments.

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

The Class A-1 Revolving Notes may be repaid (in whole or in part) at the option of the Issuer (upon the direction of the Collateral Manager) from the liquidation of Eligible Investments in the Principal Collateral Account on any Business Day. Any repayment made with respect to the

Class A-1 Revolving Notes will not reduce the Commitments thereunder.

Threshold Value Event as Event of Default:

Under the Indenture, the occurrence and continuation of a Threshold Value Event will constitute an Event of Default that will result in all of the Notes becoming immediately due and payable. A "**Threshold Value Event**" will be deemed to occur and be continuing if, as determined on the Thursday of each week using the most recent available price information of the CDO Assets provided by the Collateral Manager, (a) the Market Value of the CDO Assets and the Eligible Investments held in the Principal Collateral Account (together with any cash therein) minus (b) the Outstanding Principal Amount of the Class A Notes, is less than (c) the Threshold Value. The "**Threshold Value**" will be (i) from the Closing Date to, and including, August 1, 2013, an amount equal to the lesser of (a) 6.6667% of the aggregate CDO Asset Initial Amount of all of the CDO Assets as of the date of determination, and (b) U.S.$24,000,000; and (ii) thereafter, an amount equal to 6.6667% of the aggregate CDO Asset Initial Amount of all of the CDO Assets as of the date of determination.

A Threshold Value Event may be cured, with the consent of the Majority Controlling Class Noteholders, by the issuance of additional Class E Notes to the existing holders of any Class of the Notes and other persons in an aggregate principal amount sufficient to satisfy the Threshold Value Event test. See "*Description of the SERVES — Additional Issuance of Class E Notes to Cure Threshold Value Event*."

The Warehousing Facilities:

In advance of the Closing Date, the Issuer has had the benefit of warehousing facilities (each a "**Warehousing Facility**" and together the "**Warehousing Facilities**") provided by an affiliate of the Collateral Manager and/or an affiliate of the Placement Agent (each a "**Warehouse Provider**") which allowed the purchase of CDO Assets at the direction of the Collateral Manager on behalf of the Issuer prior to the Closing Date and the repurchase of participations or the repayment of funds borrowed under the Warehousing Facilities on the Closing Date. See "*The Warehousing Facilities*."

The Collateral Management Agreement:

Lyon Capital Management LLC will be engaged as the Collateral Manager under an agreement between the Issuer and the Collateral Manager (the "**Collateral Management Agreement**").

Under the Collateral Management Agreement, the Collateral Manager will be responsible for selecting the CDO Assets to be added to, or deleted from, the portfolio of CDO Assets held by the Issuer (the "**CDO Portfolio**"). A CDO Asset may be added to the CDO Portfolio only if certain conditions are satisfied, including the requirement that each CDO

Asset satisfy the CDO Portfolio Criteria applicable to individual CDO Assets and the Purchase Criteria, and that the addition of such CDO Asset to the CDO Portfolio will not cause the CDO Portfolio to cease to comply with the CDO Portfolio Criteria applicable to the CDO Portfolio as a whole or, if the CDO Portfolio is not in compliance with the CDO Portfolio Criteria at the time of the proposed addition, such addition will not cause the CDO Portfolio to be further out of compliance. During the Note Amortization Period, the Collateral Manager will have the right to direct the deletion of CDO Assets from, but not the addition of CDO Assets to, the CDO Portfolio (see "*The CDO Portfolio — The CDO Portfolio Criteria*").

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

The Collateral Manager will also instruct the Trustee in writing on selecting and liquidating Eligible Investments and attend meetings and otherwise represent the interests of the Issuer in connection with the management of the CDO Portfolio, including exercising certain rights and remedies with respect to the CDO Assets. In addition, the Collateral Manager shall determine the Market Value of the CDO Assets from time to time as required by the Basic Documents.

Initial Offer of the Notes:

Banc of America Securities LLC will, pursuant to a placement agency agreement (the "**Placement Agency Agreement**"), agree to act as placement agent (the "**Placement Agent**"), subject to the satisfaction of certain conditions, of the Notes. Investors in the Notes that purchase their Notes directly from the Issuer in definitive physical form will be required to execute and deliver a subscription agreement in connection with such purchase containing certain representations and warranties of such investors.

Restrictions on Purchase and Transfer:

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

United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, who also satisfy certain requirements as to status under U.S. federal income tax laws.

Each initial purchaser of a Note will be deemed to have made (or, in the case of purchasers of definitive Notes, required to make) certain representations, warranties and agreements, for the purpose of establishing, among other things, that the transaction will be exempt from registration under the Securities Act and that the Issuer will be exempt from registration under the Investment Company Act. Further, each transferee of a Note will either (i) be deemed to have made the representations and warranties set forth in "*Purchase and Transfer Restrictions*" or (ii) make such representations and warranties pursuant to a transfer certificate. See "*Private Placement*," "*Risk Factors — Other Considerations — Investment Company Act*" and "*ERISA Considerations*."

Certain Federal Income Tax Considerations: See "*Certain Federal Income Tax Considerations*."

ERISA Considerations: To avoid certain fiduciary concerns and the potential application of the prohibited transaction rules under the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and the Internal Revenue Code of 1986, as amended (the "**Code**"), the Class D Notes and the Class E Notes may not be sold or transferred to a Benefit Plan Investor as defined herein; *provided*, *however*, that the Class D Notes and the Class E Notes may be sold to an insurance company general account that satisfies certain conditions. The Class A Notes, the Class B Notes and the Class C Notes may be acquired by a Benefit Plan Investor, but only if certain conditions are satisfied. See "*ERISA Considerations*."

Special Considerations: An investment in the Notes is speculative and involves a high degree of risk. See "*Risk Factors*."

RISK FACTORS

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

Risks Relating to the SERVES

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

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

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

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

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

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

Average Life of the Notes and Prepayment Considerations. The Scheduled Maturity Date of the SERVES will be August 1, 2019. The average life of each Class of Notes, other than the Class E Notes, is expected to be shorter than the term to the Scheduled Maturity Date.

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

Certain Federal Income Tax Considerations. The Issuer expects to conduct its affairs so that its net income will not become subject to U.S. Federal income tax. There can be no assurance, however, that its net income will not become subject to U.S. Federal income tax as the result of activities by the Issuer, changes in law, conclusions by U.S. tax authorities or other causes. Further, the Collateral Manager is required to comply with certain specific requirements relating to the activities of the Issuer, attached as an exhibit to the Collateral Management Agreement, that are intended to prevent the Issuer from engaging in activities that could give rise to a trade or business in the United States. The Collateral Manager is not obligated, however, to monitor (and conform the Issuer's activities in order to comply with) changes in law, and accordingly, any such changes could adversely affect whether the Issuer is treated as engaged in a United States trade or business.

The Issuer expects that payments received on the CDO Assets and Eligible Investments generally will not be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. Payments on such assets, however, might become subject to U.S. or other withholding tax due to a change in law or other causes. Payments with respect to any equity securities held by the Issuer likely will be subject to

withholding taxes imposed by the United States or other countries from which such payments are sourced. In addition, any commitment fees and any other similar fees (including, without limitation, certain payments on obligations or securities that include a participation in or that support a letter of credit) may be subject to U.S. withholding tax, which could reduce the Issuer's net income from such activities and create a tax liability for the Issuer if amounts are not properly withheld and the related underlying instrument does not require "gross-up" payments that cover the full amount of any such withholding tax. The imposition of unanticipated withholding taxes or tax on the Issuer's net income could materially impair the Issuer's ability to make payments on the Notes. See "*Certain Federal Income Tax Considerations.*"

The Issuer expects that payments by the Issuer of principal of and interest on the Notes will ordinarily not be subject to any withholding tax in the Cayman Islands, the United States or any other jurisdiction. See "*Certain Federal Income Tax Considerations*." In the event that withholding or deduction of any taxes from payments is required by law in any jurisdiction, the Issuer will not be under any obligation to make any additional payments to the holders of any Notes in respect of such withholding or deduction.

Investors in the Notes should review carefully the tax considerations set forth in "*Certain Federal Income Tax Considerations*" herein.

ERISA Considerations. Although no assurances can be made, the conditions and restrictions on transfers of the SERVES set forth under "*Purchase and Transfer Restrictions*" and "*ERISA Considerations*" are intended to prevent the assets of the Issuer from being treated as the assets of a plan subject to Title I of ERISA or Section 4975 of the Code (a "**Plan**"). If the assets of the Issuer, however, were deemed to constitute the assets of an investing Plan, transactions involving the assets of the Issuer could be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975, as further described herein under "*ERISA Considerations*".

Risks Relating to the Collateral

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

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

The CDO Assets. The CDO Assets will consist of Commercial Bank Loans and Approved Structured Securities, which in each case will be required to satisfy all of the CDO Portfolio Criteria and the Purchase Criteria. A maximum of 5% of the aggregate CDO Asset Initial Amount may be invested in Approved Structured Securities.

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

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

In addition, when the Issuer holds a Participation in a debt obligation, the Issuer may not have the right to vote to waive enforcement of any default by an obligor. Selling Institutions

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

An investment by the Issuer in an Approved Structured Security involves many of the same considerations relevant to Participations. Investments in Approved Structured Securities present risks in addition to those resulting from direct purchases of Commercial Bank Loans. With respect to such instruments, the Issuer will usually have a contractual relationship only with the counterparty of such instrument, and not the reference obligor on the reference obligation. The Issuer generally will have no right directly to enforce compliance by the reference obligor with the terms of the reference obligation, any rights of setoff against the reference obligor, or any voting or other consensual rights of ownership with respect to the reference obligation. The Issuer will not directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. In addition, in the event of the insolvency of the counterparty, the Issuer will be treated as a general creditor of such counterparty and will not have any claim with respect to the reference obligation. Consequently, the Issuer will be subject to the credit risk of the counterparty, as well as that of the reference obligor. As a result, concentrations of Approved Structured Securities entered into with any one counterparty will subject the Notes to an additional degree of risk with respect to defaults by such counterparty, as well as by the reference obligors.

Source of Certain of the CDO Assets. On the Closing Date, the CDO Portfolio will consist primarily of Commercial Bank Loans that were purchased by the Issuer during a period prior to the Closing Date (the "**Warehousing Period**") through funds provided by the Warehouse Providers under the Warehousing Facilities (such initial CDO Assets, the "**Warehoused Loans**"). During the Warehousing Period, the Issuer used funds available under the Warehousing Facilities to acquire the Warehoused Loans at prices prevailing at the time of acquisition. It is a condition to termination of the Warehouse Facilities that all amounts payable to the Warehouse Providers must be paid in full. On the Closing Date, the proceeds from the issuance of the Notes will be used to repurchase participations sold with respect to, or repay loans incurred by the Issuer to purchase, the Warehoused Loans under the Warehousing Facilities provided by the Warehouse Providers. It is a condition precedent to the occurrence of the Closing Date that the weighted average purchase price of the Warehoused Loans must not exceed 100.3%.

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

In general, if payments on a Commercial Bank Loan are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as the Issuer) or from subsequent transferees of such payments (such as the holders of the Notes). To the extent that any such payments are recaptured from the Issuer, the resulting loss will be borne in the first instance by the holders of the Classes of Notes, in each case in accordance with their respective priorities as described herein. However, a court in a bankruptcy or insolvency proceeding would be able to direct the recapture of any such payment from a holder of Notes only to the extent that such court has jurisdiction over such holder or its assets. Moreover, it is likely that voidable payments could not be recaptured directly from a holder that has given value in exchange for its security, in good faith and without knowledge that the payments were voidable. Nevertheless, since there is no judicial precedent relating to a structured transaction such as that involving the issuance of the Notes, there can be no assurance that a holder of such securities will be able to avoid recapture on this or any other basis.

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

Lender Liability Considerations; Equitable Subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lenders or

bondholders on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Because of the nature of the portfolio of CDO Assets, the Issuer may be subject to allegations of lender liability. However, the Collateral Manager does not intend to engage in conduct that would form the basis for a successful cause of action based upon lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (a) intentionally takes an action that results in the undercapitalization of an obligor to the detriment of other creditors of such obligor, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control an obligor to the detriment of other creditors of such obligor, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of the CDO Assets, the Issuer may be subject to claims from creditors of an obligor that debt obligations issued by such obligor that are held by the Issuer should be equitably subordinated.

The preceding discussion is based upon principles of U.S. federal and state laws. Insofar as debt obligations issued by non-U.S. issuers are concerned, the laws of certain foreign jurisdictions may impose liability upon lenders or bondholders under factual circumstances similar to those described above, with consequences that may or may not be analogous to those described above under U.S. federal and state laws.

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

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

There generally is less governmental supervision and regulation of brokers and issuers in foreign countries than there is in the United States. For example, there may be no comparable

provisions under certain foreign laws with respect to insider trading and similar investor protection securities laws that apply with respect to securities transactions consummated in the United States. Further, brokerage commissions, custodian fees and other transaction costs generally are higher than in the United States.

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

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

Other Considerations

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

Investment Company Act. The Issuer has not registered with the United States Securities and Exchange Commission (the "**SEC**") as an investment company pursuant to the Investment Company Act, in reliance on an exclusion therefore for investment companies organized under

the laws of a jurisdiction other than the United States or any state thereof (a) whose investors resident in the United States are solely "qualified purchasers" (within the meaning given to such term in the Investment Company Act and the regulations of the SEC thereunder) with respect to the Issuer or certain transferees thereof identified in Rule 3c-6 under the Investment Company Act and (b) which do not make a public offering of their securities in the United States. U.S. counsel for the Issuer will opine, in connection with the placement of the SERVES by the Placement Agent, that the Issuer is not, on the Closing Date, an investment company required to be registered under the Investment Company Act. No opinion or no-action position has been requested of the SEC.

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

Dependence on the Collateral Manager. Under the Indenture and the Collateral Management Agreement, the Issuer will delegate to the Collateral Manager the responsibility for making investment decisions with respect to the CDO Portfolio and Eligible Investments. As a result, the Issuer (and therefore the Noteholders) will be highly dependent on the performance of the Collateral Manager to achieve the desired economic results, including the timely and full payment of the debt service on the Notes. The past performance history of the Collateral Manager may not be indicative of future results.

The ability of the Collateral Manager to manage successfully the CDO Portfolio will depend upon the performance of certain key personnel. The loss of any such key personnel could have a material adverse effect on the performance of the CDO Portfolio and the interests of the holders of the SERVES. In addition, under certain circumstances, the Collateral Management Agreement could be terminated as described under "*The Collateral Management Agreement*."

Certain Conflicts of Interest. The activities of the Collateral Manager, the Placement Agent and their respective Affiliates may result in certain conflicts of interest. The following briefly summarizes some of these potential conflicts but is not intended to be an exhaustive list of such conflicts.

The Collateral Manager. (References in this conflicts discussion to the Collateral Manager include the Affiliates of the Collateral Manager, including, as applicable, any account, portfolio or investment company for which the Collateral Manager or any affiliate serves as a manager or investment advisor, unless otherwise specified or the context otherwise requires.) The Collateral Manager manages investments for clients and accounts other than the Issuer,

including entities similar to the Issuer that issue collateralized debt obligations similar to the Notes and that invest in debt obligations that are the same as the CDO Assets, and with the same or similar objectives as the Issuer. Thus, the Collateral Manager may, at the same or approximately the same time, buy or sell for such clients and, as applicable, accounts, debt obligations it also buys or sells for the Issuer. In that case, the Collateral Manager will seek to allocate such purchases and sales to such clients, accounts and the Issuer on a basis it considers equitable in light of the prevailing circumstances, to the extent that the Collateral Manager believes such investments would be appropriate for the Issuer to purchase. The Collateral Manager may also purchase debt obligations for other clients that are senior to, or have interests adverse to, those it buys or sells for the Issuer.

Alternatively, the Collateral Manager may buy or sell for one client or account a debt obligation that it does not buy or sell for the Issuer or another client or account, even though the debt obligation is eligible to be bought or sold by the Issuer, if the Collateral Manager believes the circumstances warrant. The Collateral Manager will endeavor not to favor any client or account over the Issuer. In addition, the Collateral Manager may buy for a client or account a debt obligation that it sells for the Issuer, or vice versa, due to differing investment objectives or other factors. In such cases, the Collateral Manager may arrange for the client and the Issuer to be seller and buyer to each other.

The Collateral Manager will not direct the Trustee to purchase any debt obligation to be included in the Collateral from the Collateral Manager or any of its Affiliates as principal or to sell any Collateral to the Collateral Manager or any of its Affiliates as principal which would, in either case, be in violation of applicable law. Any such purchase or sale will be effected in a transaction on terms that would be representative of a transaction entered into on an arm's-length basis, at fair market prices. The Collateral Manager will not direct the Trustee to purchase any debt obligation for inclusion in the Collateral from any account or portfolio for which the Collateral Manager or any of its Affiliates serves as investment adviser, or direct the Trustee to sell any Collateral to any account or portfolio for which the Collateral Manager or any of its Affiliates serve as investment adviser which would, in either case, be in violation of applicable law. Any such purchase or sale with an account or portfolio for which the Collateral Manager or an affiliate serves as adviser will be effected in a transaction on terms that would be representative of a transaction entered into on an arm's-length basis, at fair market prices.

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

The Collateral Manager will attempt to obtain the best execution for all orders placed with respect to the CDO Assets, considering all circumstances and all factors it deems relevant, including, without limitation, the size of the transaction, the nature of the market for such security, timing, general market trends, the reputation and experience of the broker or dealer involved, and subject to such objective of obtaining best execution, the Collateral Manager may take into consideration research and other brokerage services furnished to the Collateral Manager or its Affiliates. Such services may be used by the Collateral Manager or its Affiliates in connection with its other advisory activities or investment operations. In addition, the Collateral Manager may utilize the services of Calyon Securities (USA) Inc., a registered broker-dealer and

a member of the NASD and an affiliate of the Collateral Manager. The Collateral Manager may aggregate sales and purchase orders of securities placed with respect to the CDO Assets with similar orders being made simultaneously for other accounts managed by the Collateral Manager or its Affiliates, if in the Collateral Manager's reasonable business judgment such aggregation shall result in an overall economic benefit to the Issuer (taking into consideration, among other things, the selling or purchase price, brokerage commission and other expenses). The determination of any economic benefit by the Collateral Manager is subjective and represents the Collateral Manager's evaluation at the time of the effect on the Issuer of sale prices, lower commission expenses and timing of transactions, or a combination of these and other factors.

The Collateral Manager and its Affiliates (including any account, portfolio or investment company for which the Collateral Manager or any affiliate serves as manager or investment advisor) may also have ongoing relationships with companies whose securities or loans are pledged to secure the Notes and may own debt and equity securities issued by obligors of CDO Assets, or may have a financial or other interest in sellers of Participations or counterparties to Approved Structured Securities. As a result, officers of LCM and its Affiliates may possess information relating to issuers of CDO Assets which is not known to the individuals at the Collateral Manager responsible for monitoring the CDO Assets and performing the other obligations under the Collateral Management Agreement, and such officers will be under no obligation to make such information available to those responsible for monitoring the CDO Assets and performing the other obligations under the Collateral Management Agreement. The Collateral Manager and its Affiliates (including any account, portfolio or investment company for which the Collateral Manager or any affiliate serves as manager or investment advisor) may invest for their own accounts or for the accounts of others in debt obligations that would be appropriate investments for the Issuer and they have no duty, in making such investments, to act in a way that is favorable to the Issuer or the holders of the Notes. Such investments may be different from those made on behalf of the Issuer. In addition, the Collateral Manager and its Affiliates (including any account, portfolio or investment company for which the Collateral Manager or its Affiliates serve as manager or investment advisor) may invest in securities or loans that are pari passu, senior or junior to, or have interests different from or adverse to, the CDO Assets. In such instances, the Collateral Manager and its Affiliates may in their discretion, subject to certain restrictions, make investment recommendations and decisions that may be the same as or different from those made with respect to the Issuer's investments. The Collateral Manager and its Affiliates currently serve and may in the future serve as collateral manager for, invest in or be affiliated with other entities organized to issue collateralized debt obligations secured by loans, high yield debt securities or emerging market bonds and loans. The Collateral Manager may at certain times be simultaneously seeking to purchase or sell investments for the Issuer and any similar entity for which it serves as collateral manager at such time, or for its Affiliates (including any account, portfolio or investment company for which the Collateral Manager or any affiliate serves as manager or investment advisor). It is the intention of the Collateral Manager that all CDO Assets will be purchased and sold by the Issuer on terms prevailing in the market. *See* "*The Collateral Manager*."

The Collateral Manager or one of its Affiliates may at times be a holder of any Class of Notes. If the Collateral Manager or one of its Affiliates owns Notes of any Class, its interests and incentives will not necessarily be aligned with those of the other holders of Notes (or of the holders of any particular Class of the Notes). In addition, the Collateral Manager, its clients and

its Affiliates (including any account, portfolio or investment company for which the Collateral Manager or any Affiliate serves as manager or investment advisor) may invest in obligations that would be appropriate as CDO Assets. Such investments may be different from those made on behalf of the Issuer.

Upon the original issuance of the CDO Assets, Affiliates of the Collateral Manager may have placed, arranged, participated or underwritten certain of the CDO Assets and will have provided commercial banking services, investment banking services and other services to obligors of CDO Assets. The Issuer may, from time to time, purchase CDO Assets from Affiliates of the Collateral Manager on terms then prevailing in the market. Affiliates of the Collateral Manager may have ongoing relationships (including investment banking, commercial banking and advisory services or engaging in securities or derivatives transactions) with obligors whose CDO Assets are pledged to secure the Notes and may own either equity securities or debt obligations (including CDO Assets) issued by such obligors. In addition, Affiliates of the Collateral Manager, and clients of its Affiliates, may invest in securities that are senior to, or have interests different from or adverse to, the CDO Assets. From time to time the Collateral Manager may purchase or sell CDO Assets through Affiliates of the Collateral Manager. The Collateral Manager has advised the Issuer that it is the Collateral Manager's intention that all CDO Assets will be purchased by the Issuer on terms then prevailing in the market.

Except as described below, at any given time, the Collateral Manager and its Affiliates will not be entitled to vote the Notes held by the Collateral Manager, any of its Affiliates and accounts or funds for which the Collateral Manager or any of its Affiliates acts as investment adviser (and for which the Collateral Manager or any of its Affiliates has discretionary authority), if any, with respect to any vote or consent in connection with the removal of or appointment of a successor to the Collateral Manager. For the purpose of determining whether the requisite percentage of Noteholders have acted in connection with any such appointment of a successor to the Collateral Manager, Notes owned by the Collateral Manager or any of its Affiliates will be excluded in determining both the Outstanding Principal Amount and the percentage of the Notes held by Noteholders giving the appointment direction. However, at any given time the Collateral Manager or its Affiliates will be entitled to vote the Notes held by them and by such accounts with respect to all other matters.

A portion of the proceeds from the issuance of the Notes will be used to repay funds borrowed by the Issuer to acquire a portion of the Warehoused Loans under a Warehousing Facility provided by an Affiliate of the Collateral Manager.

The Issuer and each Noteholder shall be deemed to consent to the various potential and actual conflicts of interest that may exist with respect to the Collateral Manager and its Affiliates as described above; *provided*, *however*, that nothing shall be construed as altering or limiting the duties of the Collateral Manager set forth in the Collateral Management Agreement or in the Indenture nor the requirement of any law, rule or regulation applicable to the Collateral Manager.

The Placement Agent. Bank of America Securities LLC will act as the Placement Agent for the SERVES. Certain of the CDO Assets acquired by the Issuer will be obligations of borrowers or issuers for which the Placement Agent or one of its Affiliates has acted as

structuring or syndication agent, manager, underwriter, agent, placement agent or principal or of which the Placement Agent or one of its Affiliates may be an equity owner.

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

A portion of the proceeds from the issuance of the Notes may be used to repurchase participations sold with respect to the Warehoused Loans under a Warehousing Facility provided by an Affiliate of the Placement Agent. Warehoused Loans funded through such Warehousing Facility were purchased in the open market, including from sellers that include Affiliates of Banc of America Securities LLC, and the purchase price to be paid by the Issuer for such Warehoused Loans is the prevailing price at the time such Warehoused Loans were purchased. As a result, certain conflicts of interest may exist or arise between the Placement Agent and/or their respective affiliates and the holders of Notes.

In addition, the Placement Agent and its Affiliates may also act as the respective sellers of Participations or counterparties with respect to one or more Approved Structured Securities.

Affiliates of the Placement Agent or conduit investors administered by Affiliates of the Placement Agent will purchase all of the Class A Notes. The Placement Agent or its Affiliates may purchase all or a portion of any other Class of Notes and may thereafter retain or sell all or some of those Notes or the Class A Notes. The Placement Agent or its Affiliates (or one or more accounts or conduits managed by the Placement Agent or its Affiliates) may hold Notes of any Class from time to time.

As a result of the foregoing, certain conflicts of interest may exist or arise between Banc of America Securities LLC and/or its Affiliates and the holders of Notes.

Money Laundering Prevention. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "**USA PATRIOT Act**"), effective as of October 26, 2001, requires that financial institutions, a term that includes banks, broker-dealers and investment companies, establish and maintain compliance programs to guard against money laundering activities. The USA PATRIOT Act requires the Secretary of the U.S. Treasury ("**Treasury**") to prescribe regulations in connection with anti-money laundering policies of financial institutions. The Federal Reserve Board, the Treasury and the SEC are currently studying what types of investment vehicles should be required to adopt anti-money laundering procedures, and it is unclear at this time whether such procedures will apply to pooled investment vehicles such as the Issuer. It is possible that there could be promulgated legislation or regulations that would require the Issuer, the Placement Agent or other service providers to the Issuer, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the SERVES. Such legislation and/or regulations could require the Issuer to implement additional restrictions on the transfer of the SERVES or interests therein. The Issuer reserves the right to request such information as is necessary to verify the identity of investors in

the SERVES and the source of the payment of subscription moneys, or as is necessary to comply with any customer identification programs required by Financial Crimes Enforcement Network and/or the SEC. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of SERVES or interests therein and the subscription moneys relating thereto may be refused. In connection with the establishment of anti-money laundering procedures, the Issuer may implement additional restrictions on the transfer of SERVES.

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

THE ISSUER

LCM VII Ltd., the Issuer, was incorporated as an exempted company with limited liability in the Cayman Islands on January 23, 2007, for the express purpose of issuing the Notes, acquiring and holding the assets described herein and engaging in the related transactions contemplated hereby. The registered office of the Issuer is located at P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

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

The Directors of the Issuer are responsible for the management and administration of the Issuer. As of the date hereof, the Directors of the Issuer are Mora Goddard and Cleveland Stewart.

The Issuer will not undertake any activities other than issuing the Notes, investing and reinvesting the proceeds from the sale of the Notes in CDO Assets and Eligible Investments, entering into the Collateral Management Agreement with the Collateral Manager, entering into such placement or subscription agreements as may be necessary in connection with the offering and sale of the Notes from time to time, fulfilling its obligations under the Warehousing Facilities, and engaging in such other activities which are necessary, suitable or convenient to

accomplish the foregoing, all as described in this Private Placement Memorandum and in accordance with the Indenture and the Formation Documents of the Issuer. Payments received in respect of the Collateral will be the only source of moneys for the Issuer for the payment of the Notes.

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

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

DESCRIPTION OF THE SERVES

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

General

The Notes will be issued pursuant to an indenture, dated as of the Closing Date (the "**Indenture**"), between the Issuer and the Trustee. Deutsche Bank Trust Company Americas will be the Trustee under the Indenture. Deutsche Bank Trust Company Americas is a banking organization organized under the laws of the State of New York, and its Corporate Trust Office is located at 1761 East St. Andrew Place, Santa Ana, California 92705, Attention: CDO Administration – LCM VII Ltd. (the "**Corporate Trust Office**"), and for the purpose of the surrender or transfer of a Note, Deutsche Bank Trust Company Americas, c/o DB Services Tennessee, 648 Grassmere Park Road, Nashville, Tennessee 37211-3658, Attention: Transfer Unit.

The Indenture will provide for the issuance of seven Classes of Notes: (1) U.S.$126,000,000 aggregate principal amount of Class A-1 Revolving Notes due August 1, 2019 (the "**Class A-1 Revolving Notes**"), (2) U.S.$250,000,000 aggregate principal amount of Class A-2 Term Notes due August 1, 2019 (the "**Class A-2 Term Notes**"), (3) U.S.$20,000,000 aggregate principal amount of Class B Notes due August 1, 2019 (the "**Class B Notes**"), (4) U.S.$42,763,000 aggregate principal amount of Class C Notes due August 1, 2019 (the "**Class C Notes**"), (5) U.S.$29,040,000 aggregate principal amount of Class D Notes due August 1, 2019 (the "**Class D Notes**"), (6) U.S.$937,000 aggregate principal amount of Class E-1 Notes due August 1, 2019 (the "**Class E-1 Notes**") and (7) U.S.$937,000 aggregate principal amount of Class E-2 Notes due August 1, 2019 (the "**Class E-2 Notes**").

Upon the occurrence of a Threshold Value Event and subject to the consent of the Majority Controlling Class Noteholders, the existing holders of any Class of Notes and any other person identified by or on behalf of the Issuer in writing to the Trustee will have the opportunity

to acquire additional Class E Notes to cure the Threshold Value Event. See "— *Additional Issuance of Class E Notes to Cure Threshold Value Event*."

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

The Notes

The interest rate on the Class A Notes (the "**Class A Note Rate**") will be (a) for the period from the Closing Date to, but excluding, August 1, 2013, LIBOR plus 0.30% and (b) for the period from, and including, August 1, 2013 to, but excluding, the Scheduled Maturity Date, LIBOR plus 0.60%. The interest rate on the Class B Notes (the "**Class B Note Rate**") will be LIBOR plus 0.90%. The interest rate on the Class C Notes (the "**Class C Note Rate**") will be LIBOR plus 1.50%. The interest rate on the Class D Notes (the "**Class D Note Rate**") will be (a) for the period from the Closing Date to, but excluding, August 1, 2013, LIBOR plus 4.00% and (b) for the period from, and including, August 1, 2013 to, but excluding, the Scheduled Maturity Date, LIBOR plus 1.50%. The holders of the Class D Notes will also be entitled to receive additional interest during the periods described in (a) and (b) above at the rates of 0.00% and 2.50%, respectively, (the "**Class D Note Additional Interest Rate**"); *provided* that the Issuer will pay such additional interest only if certain conditions described herein are satisfied. The interest rate on the Class E Notes (the "**Class E Note Rate**") will be LIBOR plus 5.00%. In addition to the payment of interest at the rates described above, the holders of the Class D Notes and the Class E Notes will be entitled to additional payments described herein if certain conditions are satisfied. See "— *Priority of Payments*."

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

The Outstanding Principal Amount of all the Notes is required to be repaid on the earliest to occur of (i) the Scheduled Maturity Date, (ii) the date on which the remaining Notes are

redeemed in whole, and (iii) the date on which the Notes are declared due and payable as a result of the occurrence of an Event of Default under the Indenture (collectively, the "**Maturity Date**"). On the Maturity Date, the Trustee will apply the moneys then held under the Indenture to make the payments and distributions described under "*— Priority of Payments — Maturity Date Priority of Payments*."

Purchases of Initial Notes

On the Closing Date, the initial investors of the Notes will commit to purchase the full amount of the Notes, at prices negotiated at the time of sale. Purchases will be required to be made on the Closing Date in the aggregate principal amount of U.S.$250,000,000 of the Class A-2 Term Notes, U.S.$20,000,000 of the Class B Notes, U.S.$42,763,000 of the Class C Notes, U.S.$29,040,000 of the Class D Notes, U.S.$937,000 of the Class E-1 Notes and U.S.$937,000 of the Class E-2 Notes. The funded amount of the Class A-1 Revolving Notes is expected to be U.S.$31,000,000 on the Closing Date.

The Class A-1 Revolving Notes

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

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

Borrowings. Subject to compliance with certain borrowing conditions specified in the Class A-1 Revolving Note Purchase Agreement, the Issuer (acting at the direction of the Collateral Manager) or the Collateral Manager (on behalf of the Issuer) may request an advance under the Class A-1 Revolving Notes to be made on any Business Day and the holders of the Class A-1 Revolving Notes shall make such advance to the Issuer (each advance made a "**Borrowing**" and the date of any such Borrowing, a "**Borrowing Date**") on the next Business Day. The aggregate amount of Borrowings under the Class A-1 Revolving Notes may not exceed the aggregate amount of Commitments and the amount of each Borrowing will be equal to the lesser of (a) U.S.$500,000 and integral multiples of U.S.$50,000 in excess thereof and (b) the undrawn amount of the Commitments for all the Class A-1 Revolving Notes as of the related Borrowing Date. It shall be a further condition to such Borrowing that, at the time of and immediately after giving effect to such Borrowing, no Event of Default shall have occurred and be continuing. The holders of the Class A-1 Revolving Notes will be obligated to make advances to the Issuer if the proceeds of the related Borrowing are to be used by the Issuer for

the purposes of (x) purchasing CDO Assets prior to the Note Amortization Period (*provided* that the aggregate CDO Asset Initial Amounts of CDO Assets at any one time does not exceed U.S.$400,000,000) or (y) making payments and distributions pursuant to paragraphs (1) through (11) of the Quarterly Priority of Payments if the Eligible Investments credited to the Interest Collateral Account and the Principal Collateral Account are insufficient to make such payments (after payment of any Warehousing Payments on such date under the Indenture).

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

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

The Issuer will make all repayments or redemptions of the Class A-1 Revolving Notes *pro rata*, based on the aggregate Outstanding Principal Amount of the Class A-1 Revolving Notes. Except as otherwise expressly provided, any references herein to the Outstanding Principal Amount of the Class A-1 Revolving Notes shall refer to the amounts actually advanced by the holders thereof to the Issuer as of such date and which have not yet been repaid to such holders. Notwithstanding any repayment or redemption made by the Issuer with respect to the Class A-1 Revolving Notes, the Commitment shall not be reduced.

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

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

(iv) such purchaser is then entitled to borrow from one or more Support Providers; *provided*, that the aggregate amount of commitments to make loans or purchase interests in the Class A-1 Revolving Notes under any liquidity facility provided by Support Providers whose short-term debt, deposit or similar obligations are rated on such date "F1" by Fitch (and, if rated "F1," such short term rating is not on credit watch for downgrade) is not less than the Commitment in respect of the Class A-1 Revolving Notes held by such purchaser.

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

Restrictions on Resale or Transfer. No resale or transfer of the Class A-1 Revolving Notes may be effected unless the Collateral Manager has provided its written consent thereto, such consent not to be unreasonably withheld or delayed.

Determination of LIBOR

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

1. On the second London Business Day prior to the commencement of a Distribution Period (each such day, a "**LIBOR Determination Date**"), LIBOR shall equal the rate, as obtained by the Indenture Calculation Agent for three-month U.S. dollar deposits in Europe, which appears on Reuters Screen, as reported by Bloomberg Financial Markets Commodities News, as of 11:00 a.m. (London time) on such LIBOR Determination Date. "**London Business Day**" means a Business Day on which banks in London, England are not required or authorized by law to be closed.

2. If, on any LIBOR Determination Date, such rate does not appear on Reuters Screen, or such page as may replace such Reuters Screen, the Indenture Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to leading banks in the London interbank market for three-month U.S. dollar deposits in Europe in an amount determined by the Indenture Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date. If, on any LIBOR Determination Date, at least two of the Reference Banks provide such quotations, LIBOR shall equal such arithmetic mean of such quotations. If, on any LIBOR Determination Date, only one or none of the Reference Banks provides such quotations, LIBOR shall be deemed to be the arithmetic mean of

the offered quotations that leading banks in New York City selected by the Indenture Calculation Agent (after consultation with the Collateral Manager) are quoting on the relevant LIBOR Determination Date for three-month U.S. dollar deposits in Europe in an amount determined by the Indenture Calculation Agent by reference to the principal London offices of leading banks in the London interbank market; *provided*, *however*, that if the Indenture Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures described above, LIBOR shall be LIBOR as determined on the previous LIBOR Determination Date. As used herein, "**Reference Banks**" means four major banks in the London interbank market selected by the Indenture Calculation Agent, after consultation with the Collateral Manager.

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

Notwithstanding the above procedures to determine LIBOR, solely with respect to the initial Distribution Period, LIBOR shall be 5.32688%.

The Indenture Calculation Agent may be removed by the Issuer at any time. If the Indenture Calculation Agent is unable or unwilling to act as such or is removed by the Issuer, or if the Indenture Calculation Agent fails to determine the Note Rate for each Class of Notes for any Distribution Period, the Issuer will promptly appoint as a replacement Indenture Calculation Agent a leading bank which is engaged in transactions in U.S. dollar deposits in the London interbank market, which does not control and is not controlled by nor is under common control with the Issuer or its Affiliates. The Indenture Calculation Agent may not resign its duties without a successor having been duly appointed. If no successor Indenture Calculation Agent is appointed within 30 days after giving notice of resignation, the resigning Indenture Calculation Agent, the holders of a majority of the Outstanding Principal Amount of the Notes or any holder of a Note, on behalf of itself and all others similarly situated, may petition a court of competent jurisdiction for the appointment of a successor Indenture Calculation Agent.

Payments

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

of definitive Notes, the Trustee shall make payments on each such Note by wire transfer in immediately available funds to a Dollar-denominated account as directed by the registered holder of such Note in writing before the applicable Record Date of such payment. Final payments in respect of principal of the Notes will be made against surrender of such Notes at the office of the Trustee.

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

Additional Issuance of Class E Notes to Cure Threshold Value Event

Upon the occurrence of a Threshold Value Event, the Trustee will on the Thursday of each week while the Threshold Value Event is determined to have occurred and be continuing, use the most recent available price information of the CDO Assets obtained from the Collateral Manager to determine the amount of additional Class E-1 Notes and/or Class E-2 Notes that, if authorized and issued by the Issuer, would result in curing such Threshold Value Event, and shall promptly notify the Collateral Manager, the Issuer and each Noteholder. Thereafter, on any day during the five Business Day period following the day on which the Trustee delivers notice of such Threshold Value Event (the "**Notice Period**"), the existing holders of the Notes and any other person identified by or on behalf of the Issuer in writing to the Trustee will have the right to give notice to the Issuer (with a copy of such notice to the Trustee) of its intention to purchase additional Class E-1 Notes and/or Class E-2 Notes for the purpose of curing the Threshold Value Event. No later than five Business Days after the end of the Notice Period, if the Issuer has received (i) notice of the intent to purchase the Class E-1 Notes and/or Class E-2 Notes in an amount sufficient to cure the Threshold Value Event and (ii) either in response to the initial notification or a solicitation by the Issuer therefor, the consent of the Majority Controlling Class Noteholders to the issuance of Class E Notes to cure such Threshold Value Event, the Issuer shall issue the Class E-1 Notes and/or Class E-2 Notes; *provided*, *however*, that in no event may the Outstanding Principal Amount of Class E-1 Notes exceed the Outstanding Principal Amount of Class E-2 Notes after giving effect to any such additional issuance.

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

circumstances exist with respect to purchase orders submitted by Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders and Class E-1 Noteholders, the amount of additional Class E-2 Notes to be purchased by such Noteholders will be allocated between the Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders and Class E-1 Noteholders in proportion to the Outstanding Principal Amount of the Notes held thereby.

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

Use of Proceeds

The net proceeds from the issuance and sale of the Notes (less U.S.$255,000) received by the Issuer on the Closing Date will be deposited by the Trustee into the Principal Collateral Account. The Issuer will deposit U.S.$255,000 of proceeds from the sale of the Notes into the Closing Date Expense Account which proceeds shall be used to pay Transaction Expenses, as soon as reasonably practicable, on or after the Closing Date. On the first Quarterly Payment Date, the Trustee shall deposit all funds remaining in the Closing Date Expense Account into the Interest Collateral Account and the deposited funds, together with other amounts on deposit therein, will be used to make payments and distributions in accordance with the Quarterly Priority of Payments on the first Quarterly Payment Date. On the Closing Date pursuant to the Warehousing Facilities, the Issuer will utilize the net proceeds deposited in the Principal Collateral Account to repurchase participations sold with respect to, or repay funds borrowed by the Issuer to purchase, Warehoused Loans, and the related Warehoused Loans will be the initial CDO Assets in the CDO Portfolio.

Indenture Accounts and Distributions

The Issuer will establish with the Trustee the Principal Collateral Account, the Interest Collateral Account and the Closing Date Expense Account, each shall be a segregated, non-

interest bearing account to be held for the benefit of the Noteholders, the Trustee, the Warehouse Providers and the Collateral Manager. Funds on deposit in the Principal Collateral Account will be invested by the Trustee, at the written direction of the Collateral Manager, in CDO Assets and any funds in the Principal Collateral Account not so invested, as well as all funds on deposit in the Interest Collateral Account and the Closing Date Expense Account, will be invested by the Trustee, at the direction of the Collateral Manager, in Eligible Investments. The Trustee shall not be liable for any losses in connection with any such investment.

All of the interest distributions and investment income in respect of the CDO Assets and the Eligible Investments in the Principal Collateral Account, the Closing Date Expense Account and Interest Collateral Account will be deposited into (or retained in) the Interest Collateral Account. On each Quarterly Payment Date, any funds in the Interest Collateral Account, after all of the payments are made in accordance with the Quarterly Priority of Payments, will be transferred into the Principal Collateral Account. In addition to the payments pursuant to the Priority of Payments, the Issuer will use funds in the Interest Collateral Account and, to the extent necessary, the Principal Collateral Account, to pay to the Warehouse Providers amounts owed under the Warehousing Facilities. See "*The Warehousing Facilities*."

Priority of Payments

Quarterly Priority of Payments. On each Quarterly Payment Date, the Trustee shall make the following payments, from amounts on deposit in the Interest Collateral Account (and if necessary the Principal Collateral Account) as of the sixth Business Day prior to such Quarterly Payment Date (*provided* that the proceeds of any Borrowing made in connection with such Quarterly Payment Date to rectify an insufficiency of assets to make the payments and distributions pursuant to paragraphs (1) through (11) below shall be available for distribution on such Quarterly Payment Date), and all such payments will be calculated or determined as of such sixth Business Day prior to such Quarterly Payment Date in the following order of priority ("**Quarterly Priority of Payments**"):

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

2. to pay on a *pari passu* basis, based on amounts then due and payable (a) to the Placement Agent the Senior Deferred Structuring Fee and (b) to the Collateral Manager the Primary Collateral Management Fee;

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

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

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

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

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

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

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

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

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

12. if, during the Note Amortization Period, all of the payments and distributions in paragraphs (1) through (11) above are made, the Class B Notes, the Class C Notes and/or the Class D Notes will be redeemed, in part, in a principal amount equal as closely as practicable to the amount, if any, necessary to cause the aggregate Outstanding Principal Amount of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes after giving effect to such redemption to equal the quotient of (i) the aggregate CDO Asset Initial Amount as of such Quarterly Payment Date divided by (ii) the then applicable Maximum Leverage Factor. In the case of any such mandatory redemption, the Class B Notes will be redeemed until the principal amount of the Class B Notes is reduced to zero, thereafter the Class C Notes will be redeemed until the principal amount of the Class C Notes is reduced to zero and thereafter the Class D Notes will be redeemed until the principal amount of the Class D Notes is reduced to zero. Any remaining amounts on deposit in the Principal Collateral Account after such redemption of the Class B Notes, the Class C Notes and/or the Class D Notes as required hereunder shall be used to repay the Class A-1 Revolving Notes and redeem the Class A-2 Term Notes; *provided* that the Class A-1 Revolving Notes will be

repaid in full (but not redeemed) prior to any such redemption of the Class A-2 Term Notes. However, if during the Note Amortization Period, all of the payments and distributions in paragraphs (1) through (11) above are not paid in full on the related Quarterly Payment Date, then, in lieu of the redemptions and repayments described in the preceding two sentences, available monies will be used to instead redeem the Class A-1 Revolving Notes in full and thereafter to redeem the Class A-2 Term Notes in full. The repayment and the redemption payments will be made solely from amounts realized from the liquidation of Eligible Investments on deposit in the Principal Collateral Account;

13. if, after making the payments and distributions in paragraphs (1) through (12) above, there is a Third Additional Amount, such Third Additional Amount will be divided and paid:

    (a) to the Class D Noteholders, as additional interest, 55% of the Third Additional Amount; and

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

14. any remaining balance in the Interest Collateral Account shall be transferred to the Principal Collateral Account.

"**First Additional Amount**" means, on any Quarterly Payment Date, the excess of (a) the sum of (i) the aggregate CDO Asset Initial Amounts in the Principal Collateral Account, (ii) the aggregate principal amount of the other Eligible Investments in the Principal Collateral Account, (iii) the aggregate principal amount of the Eligible Investments in the Interest Collateral Account, and (iv) the Closing Cost Amount, over (b) the sum of (i) the Outstanding Principal Amount of the Notes and (ii) the applicable First Additional Release Amount.

"**Second Additional Amount**" means, on any Quarterly Payment Date, the excess of (a) the sum of (i) the aggregate CDO Asset Initial Amounts in the Principal Collateral Account, (ii) the aggregate principal amount of the other Eligible Investments in the Principal Collateral Account, (iii) the aggregate principal amount of the Eligible Investments in the Interest Collateral Account, and (iv) the Closing Cost Amount, over (b) the sum of (i) the Outstanding Principal Amount of the Notes and (ii) the applicable Second Additional Release Amount.

"**Third Additional Amount**" means, on any Quarterly Payment Date, the excess of (a) the sum of (i) the aggregate CDO Asset Initial Amounts in the Principal Collateral Account, (ii) the aggregate principal amount of the other Eligible Investments in the Principal Collateral Account, (iii) the aggregate principal amount of the other Eligible Investments in the Interest Collateral Account, and (iv) the Closing Cost Amount, over (b) the sum of (i) the Outstanding Principal Amount of the Notes and (ii) U.S.$38,000,000.

"**Break Funding Amount**" means, with respect to each prepayment of the Class A-1 Revolving Notes, an amount (not less than zero) equal to the sum of (i) the product of (A) the positive difference, if any, between (I) LIBOR as of the immediately preceding LIBOR

Determination Date and (II) LIBOR as of the second London Business Day prior to the date of such prepayment, (B) the amount of such prepayment and (C) a fraction, the numerator of which is the actual number of days from and including the date of such prepayment to but excluding the next succeeding Quarterly Payment Date and the denominator of which is 360 and (ii) interest accrued at the Class A Note Rate on the amount determined pursuant to clause (i) above from and including the date of the related prepayment to but excluding the date paid in accordance with the Quarterly Priority of Payments or the Maturity Date Priority of Payments, as applicable.

Maturity Date Priority of Payments. On the Maturity Date, all CDO Assets and other Eligible Investments in the Principal Collateral Account and Interest Collateral Account shall be liquidated and the proceeds thereof, shall be distributed in the following order of priority ("**Maturity Date Priority of Payments**"):

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

2. to pay on a *pari passu* basis, any accrued and unpaid amounts, if any, payable (a) to the Placement Agent the Senior Deferred Structuring Fee and (b) to the Collateral Manager the Primary Collateral Management Fee;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17. any remaining balance shall be paid:

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

    (b) after making the payment in clause (a), 55% of any remaining amount to the Class D Noteholders as additional interest; and

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

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

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

Redemption of the SERVES

Optional Redemption. The Notes will also be subject to redemption (in whole, but not in part) on any Business Day subsequent to the Lock-Out Date, at the option of the holders of more than 66-2/3% of the aggregate Outstanding Principal Amount of the Class D Notes; *provided* that such Noteholders designate in a written notice of redemption delivered by them to the Trustee and the Issuer a redemption date not less than 30 days, nor more than 150 days, following the date of delivery of such notice. Such redemption will only be effective if sufficient funds are available in the Principal Collateral Account and the Interest Collateral Account (after giving effect to the liquidation of all of the CDO Assets and other Eligible Investments) to make all distributions pursuant to paragraphs (1) through (16) of the Maturity Date Priority of Payments (see "*— Priority of Payments — Maturity Date Priority of Payments*").

The Notes will also be subject to redemption (in whole, but not in part) on any Business Day subsequent to the Lock-Out Date, at the option of 100% of the holders of the Notes of all

Classes, regardless of whether the assets of the Issuer are sufficient to redeem the Notes in full; *provided* that such Noteholders designate in a written notice of redemption delivered by them to the Trustee a redemption date not less than 30 days, nor more than 150 days, following the date of delivery of such notice. The consent of the Collateral Manager will be required if there is any accrued and unpaid Secondary Collateral Management Fee payable to the Collateral Manager. Payments on the Notes shall be made in accordance with the payment priorities under the Maturity Date Priority of Payments (see "*— Priority of Payments — Maturity Date Priority of Payments*").

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

Mandatory Redemption in Part. On each Quarterly Payment Date during the Note Amortization Period, subject to the Issuer making the prior payments described under "*—Priority of Payments — Quarterly Priority of Payments*," the Class B Notes, the Class C Notes and/or the Class D Notes will be redeemed, in part, in a principal amount equal as closely as practicable to the amount, if any, necessary to cause the aggregate Outstanding Principal Amount of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes after giving effect to such redemption to equal the quotient of (i) the aggregate CDO Asset Initial Amount as of such Quarterly Payment Date divided by (ii) the then applicable Maximum Leverage Factor. See "*— Priority of Payments — Quarterly Priority of Payments*." In the case of any such mandatory redemption, the Class B Notes will be redeemed until the principal amount of the Class B Notes is reduced to zero, thereafter the Class C Notes will be redeemed until the principal amount of the Class C Notes is reduced to zero, thereafter the Class D Notes will be redeemed until the principal amount of the Class D Notes is reduced to zero. Any remaining amounts on deposit in the Principal Collateral Account after such redemption of the Class B Notes, the Class C Notes and/or the Class D Notes as required hereunder shall be used to repay the Class A-1 Revolving Notes and redeem the Class A-2 Term Notes; *provided* that the Class A-1 Revolving Notes will be repaid in full (but not redeemed) prior to any such redemption of the Class A-2 Term Notes; *provided further,* that if the amounts owing described under clauses (1) through (11) of the Quarterly Priority of Payments are not paid in full on the related Quarterly Payment Date, then, in lieu of the redemptions and repayments described in the preceding two sentences, available monies will be used instead to redeem the Class A-1 Revolving Notes in full and thereafter to redeem the Class A-2 Term Notes in full. The Class E Notes will not be subject to mandatory redemption in part. The repayment and redemption payments will be made solely from amounts realized from the liquidation of Eligible Investments on deposit in the Principal Collateral Account.

Forms, Denominations and Registration

The Notes. The Class A-2 Term Notes, the Class B Notes, the Class C Notes and the Class D Notes (except to the extent such Class D Note is represented by a Restricted Definitive Note as described below) sold in the United States to a person that is both a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) (a "**QIB**") and a

"qualified purchaser" (as defined in Section 2(a)(51) of the Investment Company Act (a "**Qualified Purchaser**")) will be represented by a permanent global note in definitive, fully registered form without interest coupons (each, a "**Rule 144A Global Note**") deposited with the Trustee, as custodian for The Depository Trust Company ("**DTC**"), and registered in the name of DTC or its nominee. DTC will credit the account of each of its participants with the principal amount of the Rule 144A Global Note being purchased by or through the participant. Beneficial interests in the Rule 144A Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants.

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

The Class A-1 Revolving Notes sold in the United States to a person that is both a QIB and a Qualified Purchaser will be represented by one or more notes in definitive, fully registered form without interest coupons (each, a "**Rule 144A Definitive Note**" and together with the Rule 144A Global Note a "**Rule 144A Note**"). The Class D Notes (except when represented by a Rule 144A Global Note as described above) and the Class E-1 Notes sold in the United States to a person that is an Accredited Investor or a Qualified Institutional Buyer who, in each case, is also a Qualified Purchaser will be represented by one or more notes in definitive, fully registered form without interest coupons (each, a "**Restricted Definitive Note**"). The Class A-1 Revolving Notes sold outside the United States to a person that is not a U.S. Person in reliance on Regulation S under the Securities Act will be represented by one or more notes in definitive fully registered form, without coupons (each, a "**Regulation S Definitive Note**" and collectively with a Rule 144A Definitive Note and a Restricted Definitive Note, a "**Definitive Note**"). The Definitive Notes will be issued directly to the initial purchasers thereof.

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

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

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

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

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

Payments of principal, interest or distributions with respect to a Global Note will be made to DTC, or its nominee, as the registered owner thereof. None of the Issuer, the Trustee or the Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

The Issuer expects that DTC or its nominee, upon receipt of any payments with respect to a Global Note representing any Notes held by it or its nominee, will immediately credit

participants' accounts with payments in amounts proportionate to their respective beneficial interests in the stated initial principal amount of such Global Note for the Notes as shown on the records of DTC or its nominee. The Issuer also expects that payments by participants to owners of beneficial interests in a Global Note held through the participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for the customers. The payments will be the responsibility of the participants. The Issuer and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

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

Global Clearance and Settlement

Transfers between the participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in immediately available funds. The laws of some states require that certain persons take delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Global Notes to these persons may be limited. Because DTC can only act on behalf of its participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a Global Note to pledge its interest to persons or entities that do not participate in the DTC system or otherwise take actions with respect to its interest, may be affected by the lack of a physical certificate of interest. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

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

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a DTC participant will be credited

during the securities settlement processing day (which must be a Business Day for Euroclear and Clearstream) immediately following the DTC settlement date and the credit of any transactions in interests in a Global Note settled during the processing day will be reported to the relevant Euroclear or Clearstream participant on that day. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the Business Day following settlement in DTC.

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

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants in DTC include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

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

Euroclear was created to hold securities for participants of the Euroclear system ("**Euroclear Participants**") and to clear and settle transactions between Euroclear Participants

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

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

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

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

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures, and the procedures may be discontinued at any time. None of the Issuer, the Placement Agent, the Collateral Manager or the Trustee will have any responsibility for the performance by DTC, Clearstream, Euroclear or their

respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

THE WAREHOUSING FACILITIES

In advance of the Closing Date, the Issuer entered into one or more separate warehousing facilities (each, a "**Warehousing Facility**" and together, the "**Warehousing Facilities**") with an Affiliate of the Collateral Manager and/or an Affiliate of the Placement Agent (each, a "**Warehousing Provider**"). The Issuer, at the direction of the Collateral Manager, has acquired direct interests in commercial loans (the "**Warehoused Loans**") with the proceeds from either the sale of participations to a Warehousing Provider or the borrowings under a Warehousing Facility. It is a condition to termination of the Warehouse Facilities that all amounts payable to the Warehouse Providers must be paid in full. On the Closing Date, the proceeds from the issuance of the Notes will be used to repurchase participations sold with respect to, or repay loans incurred by the Issuer to purchase, the Warehoused Loans under the Warehousing Facilities provided by the Warehouse Providers, and the Warehoused Loans will be the initial CDO Assets in the CDO Portfolio. It is a condition precedent to the occurrence of the Closing Date that the weighted average purchase price of the Warehoused Loans must not exceed 100.3%.

After the Closing Date, each Warehousing Provider will be entitled to receive from the Issuer certain amounts in respect of accrued interest on the Warehoused Loans as of the Closing Date when such interest is paid by the related obligor to the Issuer. All rights of a Warehouse Provider under the Indenture shall terminate upon the payment to such Warehouse Provider of payments due under the respective Warehousing Facility.

THE COLLATERAL MANAGER

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

Collateral Manager

Lyon Capital Management LLC ("**LCM**" or, in its capacity as the Collateral Manager, the "**Collateral Manager**") is a subsidiary of Calyon ("**Calyon**" or the "**Bank**") which is 95.2% owned by Crédit Agricole S.A. and will manage the collateral supporting the obligations of the Issuer pursuant to the Collateral Management Agreement. The Collateral Manager was established in August 2001 in order to manage investor funds through a series of leveraged and non-leveraged vehicles which principally include portfolios of senior bank loans. On June 5, 2003, the LCM I Limited Partnership transaction, for which LCM is collateral manager, closed. On July 2, 2004, LCM succeeded to the collateral management business of Calyon New York Branch. In connection with such succession, LCM assumed the collateral management function for five Indosuez Capital CDO transactions, of which four remain outstanding and under the management of LCM. On November 9, 2004, the LCM II Limited Partnership transaction, for

which LCM is collateral manager, closed. On April 21, 2005, the LCM III Ltd. transaction, for which LCM is collateral manager, closed. On August 2, 2005, the LCM IV Ltd. transaction, for which LCM is collateral manager, closed. On March 21, 2007, the LCM V Ltd. transaction, for which LCM is collateral manager, closed. On May 30, 2007, the LCM VI Ltd. transaction, for which LCM is collateral manager, closed. The Collateral Manager has been staffed with senior professionals with significant experience in leveraged lending as well as relevant industry specialties. The investment committee of the Collateral Manager (the "**Investment Committee**") is comprised of individuals who are employees or officers of the Collateral Manager. The board of managers of the Collateral Manager (the "**Board**") is comprised of individuals who are executive officers of Calyon in the Americas. The Board may also seek advice from the supervisory committee of the Collateral Manager (the "**Supervisory Committee**") which is comprised of the members of the Board and other individuals who are officers of the Collateral Manager or the Bank. The Collateral Manager is located at 1301 Avenue of the Americas, 13th Floor, New York, New York.

Management

The Collateral Manager's management team includes senior professionals with experience in the loan market, including underwriting, trading, operations and portfolio management of senior bank loans. Additional professionals will assist in the analysis and monitoring of macroeconomic trends and various industrial sectors and obligors. The senior portfolio managers, the portfolio manager and the other staff of the Collateral Manager dedicate 100% of their professional time to the business of the Collateral Manager. The Investment Committee of the Collateral Manager consists of the senior portfolio managers and the portfolio manager. The Investment Committee is primarily responsible for decisions to acquire investments. Any Investment Committee action requires a quorum consisting of a majority of the members and unanimous agreement of the members who constitute a quorum.

The Board of the Collateral Manager consists of three executive officers of Calyon in the Americas with extensive experience in the fields of bank lending, credit risk management and capital markets.

The Supervisory Committee consists of the members of the Board, the senior portfolio managers of the Collateral Manager and several officers of Calyon. The Supervisory Committee meets regularly and provides advice to the Board in connection with general economic outlook, overall portfolio composition, trends and orientation, market conditions, investment strategy and general guidelines.

The Collateral Manager team consists of:

Farboud Tavangar, Managing Director and Senior Portfolio Manager; Head of Lyon Capital Management LLC; Member of the Investment Committee

Farboud Tavangar is a Managing Director and Senior Portfolio Manager of Lyon Capital Management LLC. He commenced employment with Crédit Lyonnais in the Americas in July 1990. He joined the Lyon Capital Management LLC team in 2001. He is responsible for the overall activities conducted by LCM, including portfolio optimization, credit oversight, and

investor relations. In connection with the transfer of Crédit Lyonnais' corporate and investment banking business to Crédit Agricole, that resulted in Calyon, he was chosen to manage the combined CDO management activities of Crédit Lyonnais (Lyon Capital Management LLC) and Credit Agricole Indosuez (Indosuez Capital). From 1994-2000, Mr. Tavangar was in charge of the commercial lending activities to the health care sector (hospitals, long term care, managed care, medical equipments, PPMs, diagnostics, alternate site). From 1990-1994 he was a member of the Lodging Group financing hotel properties and companies, casinos and ski resorts. He started his banking career in 1986 with Irving Trust Company (subsequently The Bank of New York). Upon completion of the credit training program, he joined the Real Estate Activities Group, first as part of the loan syndications team then as part of the loan origination team. He received an MBA from Columbia University in 1985 and a degree in mechanical/electrical engineering from ESTP (École Supérieure des Travaux Publics), France in 1983.

Marc Schluraff, CFA, Managing Director and Senior Portfolio Manager; Deputy Head of Lyon Capital Management LLC; Member of the Investment Committee

Marc Schluraff, CFA, is a Managing Director and Senior Portfolio Manager of Lyon Capital Management LLC. He joined the LCM team in May 2005 with a special focus on synthetics and product development. Mr. Schluraff began his career with Credit Lyonnais in 1985 in the Capital Markets Division, where he actively participated in the building of Credit Lyonnais' derivatives activities. In 1988 he transferred to Japan to establish and manage the Foreign Exchange and Interest Rate Derivatives as well as the Structured Products desks. He joined Credit Lyonnais in the Americas in 1992 to head the Fixed Income Distribution and Structured Products desks. In 1996 he joined the effort to establish the Credit Lyonnais in the Americas' Credit Portfolio & Balance Sheet Management team, taking direct responsibility for the Asset/Liability Management function and the structuring, execution and maintenance of capital market transactions, including securitization and credit derivatives, aimed at optimizing the risk profile and risk adjusted returns of the Credit Lyonnais in the Americas' Loan portfolio. Such transactions have included a $4 billion Synthetic CLO and a $2 billion balance sheet CLO for which his group acted as collateral manager. Mr. Schluraff received an MBA in Finance from ESSEC (Ecole Supérieure des Sciences Economiques et Commerciales), France in 1984.

Krishna Chauhan, Managing Director — Capital Markets and Senior Portfolio Manager; Member of the Investment Committee

Krishna Chauhan is a Managing Director and Senior Portfolio Manager of Lyon Capital Management LLC. He has been a member of the Lyon Capital Management LLC team with capital market responsibilities since 2001. He is in charge of executing the deals that have been approved by the Investment Committee. He prepares market analysis for primary and secondary transactions, tracking trading levels on institutional tranches, identifying those deals that would add value to the portfolio, and determining the trading levels for assets which are discussed during Investment Committee meetings. Mr. Chauhan began at Crédit Lyonnais in the Americas in 2000 in the Loan Syndications, Sales & Trading group. Prior to 2000, Mr. Chauhan was a Vice President at Toronto Dominion Securities (USA) Inc., working on the par loan trading desk. Prior to 1998, Mr. Chauhan was an Associate at Lehman Brothers Inc., working on the par loan trading desk and the leverage loan capital markets desk. Prior to 1997, Mr. Chauhan was an

Investment Banking Analyst in the Leverage Loan Syndication group at NationsBanc Capital Markets Inc. Mr. Chauhan received a BBA degree from The University of Texas at Austin.

Jean-Baptiste Clavel, Director-Investor Relations

Jean-Baptiste Clavel is a Director-Investor Relations of Lyon Capital Management LLC. He started his career with Credit Lyonnais 13 years ago as a commercial officer in the bank's French corporate network in Toulouse. From 1998 to 2002, he was a relationship manager in Credit Lyonnais' headquarter in Paris where he was involved in national and international transactions with the retail and catering sectors. In 2002, Mr. Clavel moved to New York as Senior Relationship Manager with the Diversified European Corporate Group of Credit Lyonnais where he financed transactions in the power, retail, cement and commodities trading sectors. Mr. Clavel received a Masters Degree in Economics and Finance from University of Lyon in 1991.

Sophie-Aurore Venon, Director and Portfolio Manager; Member of the Investment Committee

Sophie-Aurore Venon is a Director and Portfolio Manager and joined Lyon Capital Management LLC in 2003 as a Senior Investment Analyst. Sophie Venon is in charge of credit analysis. She oversees the Investment Analysts, screens opportunities and is in charge of industrial sector and company risk migrations. Since July 2005, she has covered the Cable and Telecom, Media, Gaming, Leisure and Industrials sectors. From July 2003 to July 2005, she focused on Health Care, Retail, Gaming and Coal. Prior to joining Lyon Capital Management LLC, Ms. Venon was a financial analyst for Credit Lyonnais in the Americas's Health Care Group for 4 years. During that time, she focused on leveraged loans within the hospitals, managed care, medical device sectors. Ms. Venon received a Masters Degree in Finance from EM Lyon (Lyon Graduate School of Business) in 1999.

Jeremy Horn, Vice President and Senior Investment Analyst

Jeremy Horn, is a Vice President and Senior Investment Analyst and joined Lyon Capital Management LLC in early 2006. He covers the Energy, Chemicals, Packaging, and Utilities sectors. Prior to joining Lyon Capital Management LLC, he was a Vice President and Relationship Manager for Calyon in the Americas'/Credit Lyonnais in the Americas' Media and Communications Group for 12 years. During that time, he covered highly leveraged companies within the cable television, wireless communications, wireline communications, radio and broadcast television, and newspaper publishing sectors. Prior to joining Calyon/Credit Lyonnais, Mr. Horn was an analyst in Chase Manhattan Bank's Media and Communications Group, having successfully completed Chase Manhattan's formal Credit Training Program in 1992. Mr. Horn received a B.A. from Columbia University where he majored in Economics and had a concentration in History.

Michael Choina, Vice President and Senior Investment Analyst

Michael Choina is a Vice President and Senior Investment Analyst of Lyon Capital Management LLC covering the Paper & Packaging and Chemical industries. He joined Lyon Capital Management LLC in early 2007. Mr. Choina previously worked for Calyon in the Americas/Credit Lyonnais in the Americas as an associate and, subsequently, as Deputy

Transaction Manager with the Diversified Industries team focusing on leveraged transactions in the Paper & Packaging, Aerospace & Defense and Chemical industries. Prior to joining Credit Lyonnais in the Americas in 2003, he worked for three years as a credit analyst for AIG, Inc. in New York, covering a broad range of investment grade names in a variety of industries. Mr. Choina received his MBA in Finance from the Zicklin School of Business of Baruch College in 2002 and a B.A. in Biology from Brooklyn College in 1995.

Kevin Ernst, Vice President and Senior Investment Analyst

Kevin Ernst joined Lyon Capital Management LLC in mid-2007 as a Vice President and Senior Investment Analyst. Mr. Ernst previously worked for BNP Paribas, and prior to that Credit Lyonnais, in the Financial Institutions Group with credit responsibilities concerning private equity, financial sponsor, structured fund, and mortgage origination clients. Before joining Credit Lyonnais in 2003, he worked for seven years as a credit analyst with Community Bank System and then American International Group covering a broad range of industries. Mr. Ernst received his Masters in Finance from London Business School in 2002 and a Bachelors in Business Administration from the State University of New York at Albany in 1994.

Eduardo Javier Carballo, Vice President and Senior Investment Analyst

Javier Carballo is a Vice President and Senior Investment Analyst who joined Lyon Capital Management LLC in January 2007. He covers the Aerospace and Defense, Ecological, and Mining and Steel sectors. Prior to joining Lyon Capital Management LLC, he was a Senior Associate in Calyon's/Credit Lyonnais' U.S. Global Fixed Income Group for 4 years, responsible for the origination, structuring and execution of domestic and cross-border corporate and structured debt securities. Prior to joining Calyon/Credit Lyonnais, he completed J.P. Morgan Chase's credit training program and spent two years with the Global Syndicated Finance Group in New York, focusing on the structuring and execution of lead and joint-lead managed leveraged and investment grade senior credit facilities, and restructuring advisory, across a range of industries. Prior to J.P. Morgan and the completion of his M.B.A., Mr. Carballo worked for two years as a Financial Analyst at A.B. Capital and Investment Corporation, a leading Philippine Investment Bank and Stock Brokerage Firm. Mr. Carballo received a M.B.A. from the Kellogg Graduate School of Management, Northwestern University in 2000 and an A.B. degree from Ateneo de Manila University in the Philippines in 1995.

Manuela Rath, Senior Associate and Investment Analyst

Manuela Rath joined Lyon Capital Management LLC in June 2006 as Senior Associate and Investment Analyst and is responsible for the beverage/food/tobacco, retailing, consumer goods, and transportation industries. Prior joining Lyon Capital Management LLC, Manuela worked as an analyst at RZB Finance LLC, covering asset based lending transactions and as the manager of Business Development for a New York-based software company. Manuela is a PhD candidate in Finance and received a Master of Business Administration from the University of Economics and Business Administration in Vienna, where she graduated in 2003 with majors in finance, controlling, and consulting.

Francois Laberenne, Associate—Investment Analysis, Trading and Analytics

Francois Laberenne joined Lyon Capital Management in 2004. He is responsible for conducting portfolio optimization analyses and assisting the Head of Trading in the execution of trades. He also provides support to the credit analysis function and follows a portfolio of companies spread over several industries. Prior to joining Lyon Capital Management LLC, Francois Laberenne held a position within Natexis Banques Populaires Fixed Income Syndicate in Paris, France. He received a Master in Finance from University of Paris-Dauphine Magistere Banque Finance program in 2003.

Investment Strategy

The Collateral Manager's investment strategy leverages the portfolio managers' extensive experience in the US leveraged loan market. The Collateral Manager expects, within the limitations imposed by the Indenture and the Collateral Management Agreement, to pursue similar selection and investment principles that have been utilized by the portfolio managers throughout their careers. The analytical approach emphasizes downside protection and principal preservation in conjunction with seeking superior risk-adjusted returns. To accomplish the latter, the Collateral Manager will employ fundamental credit analysis and actively manage credit risk by monitoring economic and industry trends to identify events which could impact existing investments. The Collateral Manager's portfolio management team maintains regular contact with market participants to identify trends that may impact future investment returns.

Credit Underwriting Process

Screening

Each potential CDO Asset that is considered for purchase by the Issuer is subject to an assessment process by the Collateral Manager. The elements in this process include:

- Considering the overall macro-economic outlook.
- Developing and maintaining views on various industrial segments, including those to which it wishes to avoid exposure and those to which it wishes to have exposure on only a highly selective basis.
- Assessing each potential new obligation for appropriate fit within the existing pool of collateral, considering such aspects as exposure to various industrial sectors and overall portfolio parameters.
- Reviewing the purpose, nature and structure of the transaction underlying the investment opportunity, including the summary of pro forma credit statistics, the structure of the facility, pricing and timing.
- Gauging initial market acceptance of the transaction, especially regarding pricing and liquidity.

Credit Analysis

The Collateral Manager will conduct in-depth financial analysis to evaluate the credit risk of an issuer prior to investing. The analysis will include:

- Examining the historical and projected financial performance of the issuer, placing emphasis on the availability, frequency and reliability of cash flow generating capabilities.
- Assessing the issuer's capital structure to measure the underlying asset and enterprise values, employing modeling based on adverse scenarios in both cash flow and liquidation valuations.
- Evaluating the issuer's financial flexibility, in particular, its access to capital markets and stress case financial modeling.
- Evaluating industry conditions and trends that impact the issuer, including market position and ability to withstand economic, competitive and regulatory pressures.
- Assessing the structural protection afforded by the capital structure of an issuer, collateral security pledged in support of the obligation and other factors.
- Assessing the issuer's strategy, ability to execute, operating experience, competitive position and overall credibility of the issuer's management team.
- Considering the resources, reputation and track record of the underwriters/agents of the debt facilities with respect to the quality of the due diligence process.

Document Review

The Collateral Manager will review relevant documentation, including credit agreements. For acquired assets, this review will ensure transactions are structured and documented in accordance with the requirements of the Indenture.

Investment Committee

All investments are presented for review and approval by the Investment Committee.

Ongoing Portfolio Management

The Collateral Manager will monitor economic, industry and obligor-specific trends on an on-going basis, including:

- Tracking periodic financial results of obligors and industry critical parameters;
- Accessing economic, industry, and issuer research and their relevance to the portfolio and obligors;
- Assessing collateral and covenant protection;

- Benchmarking of issuer actual performance relative to the base case and stress case scenarios established by the Collateral Manager (systematic review of issuer quarterly results);

- Monitoring relevant market indicators, monitoring and assessing impact of obligor performance in the equity and bond markets as well as rating agency analysis and ratings,

- Conducting regular portfolio analysis and review of portfolio trends.

The Bank

The following information relates to and has been obtained from Calyon. The delivery of this information shall not create any implication that there has been no change in the affairs of Calyon since the date hereof, or that the information contained or referred to below is correct as of any time subsequent to its date.

Calyon is 95.2% owned by Crédit Agricole S.A. The shares of Crédit Agricole S.A. have been listed on the French Stock Exchange (le "Premier marché d'Euronext Paris") since December 14, 2001.

Calyon is one of Europe's leading corporate and investment bank institutions and specializes in capital markets, investment banking and financing activities. Calyon is the new name, as of April 30, 2004, of Crédit Agricole Indosuez, the international wholesale banking and capital markets arm of the Crédit Agricole Group, following the consolidation and transfer of Crédit Lyonnais' corporate and investment banking business. Calyon is a limited liability company incorporated in France as a "société anonyme" and established under the laws of France. Calyon's registered office is located at 9, quai du Président Paul Doumer, 92920 Paris La Défense Cedex, France.

On 19 July 2002, the European Union adopted regulation EC 1606/2002, which requires publicly traded companies to produce their consolidated financial statements in accordance with IFRS (International Financial Reporting Standards) from 2005 onwards. This was supplemented by regulation EC 1725/2003, dated 29 September 2003, endorsing certain international accounting standards (i.e., all those in effect as of 14 September 2002), together with five regulations published in 2004 (707/2004, 2086/2004, 2236/2004, 2237/2004 and 2238/2004) permitting the adoption of a modified version of the standards and the adoption of IAS 32 and IAS 39. Under the French Ministry of Finance decree n°2004-1382 of 20 December 2004, companies may prepare their financial statements using IAS standards as of 2005, even if they are not publicly traded. All Crédit Agricole Group entities have elected this option. Within the Crédit Agricole Group, Calyon has consequently prepared IFRS-compliant consolidated financial statements commencing with the 2005 financial year.

As a French limited liability corporation, Calyon is subject to Articles L.225 1 et seq. and Book 2 of the Code de Commerce and as a financial institution, Calyon is subject to Articles L.511 1 et seq. and L.531 1 et seq. of the French Monetary and Financial Code (Code monétaire et financier). Calyon is included in the list of credit institutions under the category of commercial banks and it is, therefore, subject to the control of bank supervisory authorities and

of the Banking Commission in particular. As a nearly wholly owned subsidiary of Crédit Agricole S.A., its shares are not admitted to trading on a regulated market for dealing in financial instruments. Calyon carries short-term debt ratings of A-1+/P-1/F1+ and long-term senior unsecured debt ratings of AA-/Aa1/AA (by Standard & Poor's Ratings Group, Moody's and Fitch Ratings, respectively). Moody's and Fitch's ratings are stable; Standard and Poor's rating is under positive outlook.

Calyon's audited consolidated financial statements as of December 31, 2006 are available on the following website: www.calyon.com.

THE COLLATERAL MANAGEMENT AGREEMENT

Duties of the Collateral Manager

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

Compensation of Collateral Manager

On each Quarterly Payment Date, after making payment of higher priority on such Quarterly Payment Date pursuant to the Priority of Payments, the Issuer will pay to the Collateral Manager (for the relevant period or portion thereof) an ongoing collateral management fee (the "**Primary Collateral Management Fee**") in an amount equal to the product of (i) the aggregate CDO Asset Initial Amount as of the first day of the related Fee Accrual Period, (ii) 0.10% and (iii) the actual number of days in such Fee Accrual Period, divided by 360.

On each Quarterly Payment Date, if and only to the extent that there is a Second Additional Amount, after making payments of higher priority on such Quarterly Payment Date pursuant to the Priority of Payments, the Issuer will also pay to the Collateral Manager the secondary collateral management fee (the "**Secondary Collateral Management Fee**") in an amount equal to the product of (i) the aggregate CDO Asset Initial Amount as of the first day of the related Fee Accrual Period, (ii) 0.25% and (iii) the actual number of days in such Fee Accrual Period, divided by 360.

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

incentive collateral management fee (the "**Incentive Collateral Management Fee**") in an amount equal to the product of (i) 0.01% for each 0.06% by which (x) the Class D Note Internal Rate of Return exceeds (y) the Class D Note LIBOR Internal Rate of Return plus 4.40%, (ii) the average daily funded portion of the aggregate CDO Asset Initial Amount for the period from the Closing Date to the Maturity Date and (iii) the actual number of days since the Closing Date, divided by 360.

If the Collateral Manager resigns or is removed pursuant to the Collateral Management Agreement (other than for a *"Removal for Cause of the Collateral Manager"* as described below), then the resigned or removed Collateral Manager will be entitled to receive the Secondary Collateral Management Fee accrued and unpaid as of the effective date of such termination, resignation or removal on each Quarterly Payment Date and the Maturity Date that the Secondary Collateral Management Fee is paid in accordance with the priority of payments under the Indenture, pro rata with the Secondary Collateral Management Fee payable to the succeeding Collateral Manager(s) based on the accrued and unpaid amounts owing to such resigning or removed Collateral Manager, on the one hand, and to the unpaid amounts owing to the succeeding Collateral Manager(s), on the other hand.

If the Collateral Manager resigns or is removed pursuant to the Collateral Management Agreement (other than for a *"Removal for Cause of the Collateral Manager"* as described below), then the resigned or removed Collateral Manager will be entitled to receive a portion of any Incentive Collateral Management Fee paid, in accordance with the Maturity Date Priority of Payments, on the Maturity Date on which all or a portion of the Incentive Collateral Management Fee is paid, equal to the product of (x) the Incentive Collateral Management Fee paid on the Maturity Date and (y) a fraction, the numerator of which is the number of days from the Closing Date to the effective date of the Collateral Manager's termination, resignation or removal and the denominator of which is the number of days from the Closing Date to the Maturity Date.

Resignation or Termination without Cause of Collateral Manager

Upon the direction of Noteholders owning 66 2/3% of the Outstanding Principal Amount of the Class A Notes, 66 2/3% of the Outstanding Principal Amount of the Class B Notes, 66 2/3% of the Outstanding Principal Amount of the Class C Notes, 66 2/3% of the Outstanding Principal Amount of the Class D Notes and 66 2/3% of the Outstanding Principal Amount of the Class E Notes, the Issuer will terminate the services of the Collateral Manager under the Collateral Management Agreement at any time, upon 90 days' prior written notice; provided, however, that the services of the Collateral Manager may not be terminated prior to the second anniversary of the Closing Date unless one of the following events occur: (i) a Threshold Value Event; (ii) certain events of bankruptcy or insolvency occur in respect of the Collateral Manager; or (iii) the Collateral Manager willfully violates or willfully breaches any provision of the Collateral Management Agreement or the Indenture applicable to the Collateral Manager (it being understood that the poor economic performance of the CDO Assets shall not in itself constitute a willful violation or willful breach) or the Collateral Manager breaches in any material respect any provision of the Collateral Management or the Indenture applicable to it, which breach if capable of being cured, is not cured within 30 days following receipt of written notice thereof from the Issuer. For the purpose of determining whether the requisite percentage

of Noteholders have acted in connection with any such termination, Notes owned by the Collateral Manager or any of its Affiliates will be excluded in determining both the Outstanding Principal Amount and the percentage of the Notes held by Noteholders giving the termination direction.

The Collateral Manager has the right to resign at any time upon sixty days' prior written notice to the Issuer, the Trustee and the Noteholders; provided that the Collateral Manager may not resign prior to the second anniversary of the Closing Date.

Removal for Cause of the Collateral Manager

The Collateral Manager may be removed upon 10 days' prior written notice by the Issuer or the Trustee, at the direction of the Majority Controlling Class Noteholders, if at any time:

(i) the Collateral Manager willfully violates or willfully breaches any provision of the Collateral Management Agreement or the Indenture applicable to it (it being understood that the poor economic performance of the CDO Assets shall not in itself constitute a willful violation or willful breach),

(ii) the Collateral Manager breaches in any material respect any provision of the Collateral Management Agreement or the Indenture applicable to it, which breach if capable of being cured, is not cured by the Collateral Manager within 30 days of the Collateral Manager becoming aware of, or receiving notice from the Issuer of, such breach,

(iii) the failure of any representation, warranty, certification or statement made or delivered by the Collateral Manager in or pursuant to the Collateral Management Agreement or the Indenture to be correct in any material respect when made and no correction is made for a period of 45 days after the Collateral Manager becoming aware of, or its receipt of notice from the Issuer or the Trustee of, such failure;

(iv) certain events of bankruptcy or insolvency occur in respect of the Collateral Manager;

(v) an Event of Default occurs under the Indenture that consists of (a) a default in the payment of principal or interest on the Notes when due and payable (except if such Event of Default is caused solely by the Trustee's or Issuer's failure to perform their respective duties under the Indenture) or (b) the occurrence of a Threshold Value Event that has not been remedied, in each case that results from any breach by the Collateral Manager of its duties under the Indenture or the Collateral Management Agreement; or

(vi) the criminal indictment of the Collateral Manager for the occurrence of an act by the Collateral Manager that constitutes fraud or criminal activity in the performance of its obligations under the Collateral Management Agreement or the provisions of the Indenture applicable to it, as determined by a final adjudication by a court of competent jurisdiction or the indictment for criminal prosecution of any senior officer of the Collateral Manager for a criminal offense materially related to its management of the CDO Assets.

The Collateral Manager will be required to give prompt written notice to the Issuer, the Trustee and the holders of all outstanding Notes upon the Collateral Manager's becoming aware of the occurrence of any of the events described in the preceding paragraph.

Appointment of Successor Collateral Manager

In the event of the termination of the services of the Collateral Manager or its resignation, the Majority Noteholders will appoint the successor thereto. For the purpose of determining whether the requisite percentage of Noteholders have acted in connection with any such appointment, Notes owned by the Collateral Manager or any of its Affiliates will be excluded in determining both the Outstanding Principal Amount and the percentage of the Notes held by Noteholders giving the appointment direction; *provided however*, that all Notes held by the Collateral Manager or one or more Affiliates of the Collateral Manager, will have voting rights with respect to all other matters as to which the Notes are entitled to vote.

No termination or resignation of the Collateral Manager will be effective until a successor collateral manager (the "**Successor Collateral Manager**") has assumed in writing all of the duties and obligations of the Collateral Manager under the Collateral Management Agreement. In the event of the termination of the services of the Collateral Manager or its resignation, the Trustee shall provide notice of such resignation or termination to the Rating Agency, and the Majority Noteholders will have the right to appoint the successor thereto as described above.

Assignment or Amendment of the Collateral Management Agreement

The Collateral Manager may not assign its interest in the Collateral Management Agreement (including its rights and duties thereunder) without the written consent of the Issuer and the Majority Controlling Class Noteholders; provided, that the Collateral Manager shall be permitted, without the consent of the Issuer or any of the Noteholders, to assign any or all of its rights and delegate any or all of its obligations under the Collateral Management Agreement to an Affiliate or a wholly owned subsidiary of an Affiliate so long as such Affiliate or such wholly owned subsidiary of an Affiliate, as the case may be, (A) demonstrates an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement, (B) is legally qualified and has the capacity to act as Collateral Manager under the Collateral Management Agreement and (C) immediately after the assignment, employs principal personnel performing the duties required under the Collateral Management Agreement who are the same individuals who would have performed such duties had the assignment not occurred. The Collateral Manager will give the Issuer and the Trustee notice not later than ten Business Days prior to the effective date of such proposed assignment.

The Collateral Management Agreement may not be amended unless (i) an agreement in writing has been executed by the Collateral Manager and the Issuer and (ii) the written consent of the Majority Controlling Class Noteholders has been obtained with respect to such amendment.

Conflicts of Interest

See "*Risk Factors — Other Considerations — Certain Conflicts of Interest — The Collateral Manager*" for the description therein relating to certain conflicts or potential conflicts of interest that may arise with respect to the Collateral Manager.

THE CDO PORTFOLIO

General

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

The "**CDO Asset Initial Amount**" for each CDO Asset will equal the product of its CDO Asset Amount and its CDO Asset Initial Price (expressed as a percentage of par); *provided*, that for purpose of computing payments and distributions pursuant to paragraphs (9), (10), (11) and (13) of the Quarterly Priority of Payments, CDO Asset Initial Amount shall not include the portion of the principal amount of a CDO Asset committed to be funded but not outstanding. The "**CDO Asset Amount**" of a CDO Asset will be equal to the principal amount (whether outstanding or not) committed to be funded, as designated by the Collateral Manager, on behalf of the Issuer, for inclusion in the CDO Portfolio.

The CDO Portfolio Criteria

Each of the Indenture and the Collateral Management Agreement will provide that the CDO Assets (including the Warehoused Loans which will become the initial CDO Assets on the Closing Date) will be selected by the Collateral Manager in accordance with the investment criteria summarized below (the "**CDO Portfolio Criteria**"). No representation or guarantee is made that the CDO Portfolio will at all times conform with the CDO Portfolio Criteria, and investors should be aware that failure to comply with the CDO Portfolio Criteria may not result in an Event of Default or in any party being liable under any of the Basic Documents or affect their obligations thereunder. If the CDO Portfolio fails to comply with the CDO Portfolio Criteria at any time, then any addition to the CDO Portfolio may not be made if such addition causes the CDO Portfolio to be further out of compliance.

In determining whether an addition causes the CDO Portfolio to fail to comply with the CDO Portfolio Criteria (or, in the event that the CDO Portfolio is not in compliance with such criteria prior to the addition, in determining whether such addition causes the CDO Portfolio to

be further out of compliance), all additions and deletions for any given day will be viewed on an aggregate basis (considering for this purpose only, additions and deletions that have their trade dates on such day but excluding paydowns and/or repayments that have not yet occurred), by comparing (a) the level of compliance with each of the CDO Portfolio Criteria applicable to the CDO Portfolio as a whole immediately prior to the first proposed addition or deletion on such day with (b) the level of compliance therewith that would result if all of the proposed additions or deletions for such day were effected on such day.

The percentages referred in the CDO Portfolio Criteria set forth below are calculated on the basis of the applicable CDO Asset Initial Amount or Amounts, divided by U.S. $400,000,000. Except for clause (16) of the CDO Portfolio Criteria, the CDO Portfolio Criteria will not apply during the Note Amortization Period.

The CDO Portfolio Criteria will be as follows:

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

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

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

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

Table 1: Fitch's Industry Categories

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

2. A maximum of 10% may have Obligors (other than Obligors with respect to Approved Structured Securities) domiciled outside of the United States, and all

such non-U.S. Obligors (other than Obligors with respect to Approved Structured Securities) must be domiciled (i) in Organization for Economic Cooperation and Development jurisdictions, Bermuda or the Cayman Islands and (ii) where the sovereign has a long-term rating of at least "A" by Fitch, "A2" by Moody's and "A" by Standard & Poor's. In the case of CDO Assets with more than one Obligor, the Obligors will be deemed to be domiciled in the United States if the parent Obligor, principal credit Obligor, or primary guarantor of the Obligor is domiciled in the United States. Obligors domiciled in the United States include Obligors domiciled in Puerto Rico.

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

4. All CDO Assets must be US dollar denominated.

5. Fitch Weighted Average Rating Factor with respect to the CDO Assets in the CDO Portfolio equal to or lower than the number set forth in the column "Fitch Weighted Average Rating Factor" in the Ratings Matrix based upon the case chosen by the Collateral Manager as currently applicable to the CDO Portfolio.

6. Fitch Weighted Average Recovery Rate with respect to the CDO Assets in the CDO Portfolio of not less than the number set forth in the column "Fitch Weighted Average Recovery Rate" in the Ratings Matrix based upon the case chosen by the Collateral Manager as currently applicable to the CDO Portfolio.

7. A maximum of 10% may constitute Commercial Bank Loans under revolving credit facilities or delayed draw term loans.

8. Maximum Leverage Factor ("**Maximum Leverage Factor**") will be (a) 3x, if the aggregate CDO Asset Initial Amount is less than U.S.$100,000,000, (b) 4x, if the aggregate CDO Asset Initial Amount is U.S.$100,000,000 or greater, but less than U.S.$200,000,000 and (c) 4.27x, if the aggregate CDO Asset Initial Amount is U.S.$200,000,000 or more.

9. A maximum of 0% may be unsecured. For purposes of this criterion, a CDO Asset will be deemed to be secured if either (a) it is secured by specific collateral, which may include but not be limited to, trademarks, patents, accounts receivable, inventory, equipment, buildings, real estate, franchises or common or preferred stock of the Obligor or Affiliates of the Obligor or (b) the Obligor has provided a negative pledge of substantially all of its assets.

10. A maximum of 10% may be second lien loans.

11. A maximum of 10% may be loan participations; *provided* that the long-term unsecured obligations of each financial institution selling a participation that constitutes a CDO Asset must be rated at the time that such CDO Asset is added to the CDO Portfolio at least "AA" by Fitch, "Aa3" by Moody's and "AA" by

Standard & Poor's; *provided* that this criterion may be satisfied if any two of the three ratings are met so long as no single rating is below the listed rating.

12. Without the consent of the Majority of the Controlling Class, no CDO Asset may be added to the CDO Portfolio if the CDO Asset is being syndicated to less than three unaffiliated institutions.

13. With the consent of the Majority of the Controlling Class and notice to the Rating Agencies, up to a maximum of 5.0% may be comprised of Approved Structured Securities.

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

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

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

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

18. Each CDO Asset added to the CDO Portfolio must have a Fitch Rating of at least "B-" as of the date of addition; *provided* that a maximum of 5% may be comprised of CDO Assets (a) that have a Fitch Rating of "CCC+" or "CCC" or (b) that do not have a Fitch Rating but which the Collateral Manager, based on its reasonable commercial judgment, believes would have a rating of at least "B-" if such CDO Asset were rated by Fitch.

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

20. A maximum of 5% may be DIP Loans, *provided* each DIP Loan has an explicit Fitch Rating.

21. The Collateral Manager may direct the purchase of any CDO Asset only if, based on the reasonable best judgment of the Collateral Manager, market values for such CDO Asset will be available from third party pricing services and/or dealer quotations.

22. A maximum of 1.25% may be PIK CDO Assets; *provided* that, upon acquisition of a PIK CDO Asset, such PIK CDO Asset (i) must not be failing to pay interest in cash when interest is due or (ii) must not have a balance of accrued interest that has been added to the principal amount of such PIK CDO Asset.

23. The Issuer shall not purchase any asset unless the payments (other than with respect to commitment, letter of credit and similar fees and dividends on equity

securities) due under the terms of such asset and proceeds from disposing of such asset are free and clear of withholding tax, other than withholding tax as to which the obligor or issuer must make additional payments so that the net amount received by the Issuer after satisfaction of such tax is the amount due to the Issuer before the imposition of any withholding tax.

24. Notwithstanding the above, (a) the Issuer will not purchase any asset if such purchase would cause the Issuer to violate the restrictions contained in the Indenture and the Collateral Management Agreement against the Issuer being subject to U.S. net income tax or being engaged in United States trade or business for U.S. federal income tax purposes or being subject to net income tax in any other jurisdiction (the "**Purchase Criteria**") and (b) the Issuer will not acquire, purchase or hold any asset the gain from the disposition of which will be subject to U.S. Federal income or withholding tax under Section 897 or Section 1445 of the Code and Treasury Regulations promulgated thereunder.

If the Rating Agency Condition has been satisfied, the CDO Portfolio Criteria may be amended from time to time with the written consent of Majority Noteholders and the Collateral Manager. The Trustee will give prompt written notice of any such amendment to each Noteholder, the Rating Agency and the Collateral Manager.

Deletion of CDO Assets

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

If at any time the aggregate CDO Asset Initial Amount of Impaired Assets in the CDO Portfolio exceeds 10% of U.S.$400,000,000 (or, during the Note Amortization Period, the aggregate CDO Asset Initial Amount of Impaired Assets in the CDO Portfolio exceeds 10% of the aggregate CDO Asset Initial Amount of all of the CDO Assets then in the CDO Portfolio), the Collateral Manager will be required, within two Business Days, to provide written notice of such non-compliance with clause (16) of the CDO Portfolio Criteria to the Majority Controlling Class Noteholders. If (i) by the end of the second Business Day after the Collateral Manager provides such notice, the Majority Controlling Class Noteholders do not deliver a written waiver of such non-compliance to the Collateral Manager, or (ii) the Majority Controlling Class Noteholders notify the Collateral Manager in writing of their election not to waive such noncompliance, then the Collateral Manager will have seven Business Days to cause the aggregate CDO Asset Initial Amount of Impaired Assets to be no greater than 10% of U.S.$ 400,000,000 (or, during the Note Amortization Period, 10% of the aggregate CDO Asset Initial Amount of all of the CDO Assets then in the CDO Portfolio). If the Majority Controlling Class Noteholders elect to waive the non-compliance, such waiver will remain in effect until the Collateral Manager receives written notice from the Majority Controlling Class Noteholders of their election to revoke such waiver.

Reports

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

A. CDO Portfolio Reports.

1. Based upon information provided to it by the Issuer, and where specified below, the Collateral Manager and the Rating Agency (the "**Rating Information**"), the Trustee shall prepare and deliver, or cause to be prepared and delivered or make available, to the Collateral Manager (on behalf of the Issuer) the following information determined, unless otherwise specified below, as of the related measurement date (the "**Measurement Date**," which shall be for the report required by paragraph (a), the sixth Business Day prior to the first day of each month, commencing October 1, 2007 and for the report required by paragraph (b), the sixth Business Day prior to each Quarterly Payment Date, commencing February 1, 2008:

(a) on or prior to the fifth Business Day following each Measurement Date, a report setting forth the following information: (i) the CDO Asset Initial Price and CDO Asset Amount of each CDO Asset added to, and the sale price and the CDO Asset Amount of each CDO Asset deleted from, the CDO Portfolio since the preceding Measurement Date; (ii) the industry classification of each Obligor under each CDO Asset added to the CDO Portfolio since the preceding Measurement Date; (iii) the interest rate spread and all-in rate payable by each Obligor for each distinct borrowing under each CDO Asset included in the CDO Portfolio since the preceding Measurement Date; (iv) the Market Value of each CDO Asset; (v) the amount of the accrued and unpaid Issuer and Administrative Expenses; (vi) the amount, as provided to the Trustee by the Collateral Manager, of accrued and unpaid fees, expenses and indemnity payments, if any, payable to the Collateral Manager under the Collateral Management Agreement; (vii) the rating assigned by the Rating Agency to each CDO Asset added to the CDO Portfolio since the preceding Measurement Date, or anticipated to be assigned by the Rating Agency, as provided to the Trustee by the Collateral Manager, if no such rating has yet been determined; and (viii) the balance in the Principal Collateral Account and the Interest Collateral Account as of the Measurement Date (assuming that all CDO Assets and Eligible Investments were sold on such date at Market Value);

(b) on or prior to the fifth Business Day following each Measurement Date, a report setting forth all of the following information: (i) the Fitch Weighted Average Rating Factor based upon the ratings assigned by the Rating Agency or anticipated to be assigned and estimated by the Rating Agency, as provided to the Trustee by the Collateral Manager, if no such rating has yet been determined as to each CDO Asset then in the CDO Portfolio; (ii) the Weighted Average Spread for the CDO Assets in the CDO Portfolio; (iii) the

Fitch Weighted Average Recovery Rate for the CDO Assets in the CDO Portfolio; (iv) concentration levels for the CDO Portfolio based on the dollar amount of each CDO Asset, by stating the individual percentages of the CDO Portfolio represented by CDO Assets of the same Obligor determined based on current commitments under such CDO Assets in the CDO Portfolio; (v) the industry concentration for the CDO Portfolio based on the Fitch industry classification and dollar amount of each CDO Asset; (vi) the allocation with respect to CDO Assets that may be included in the CDO Portfolio categorized in terms of the CDO Portfolio Criteria set forth in the Indenture; and (vii) the average Leverage Factor for the CDO Portfolio since the preceding Measurement Date under this paragraph (b) and the Leverage Factor as of the current Measurement Date; and

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

2. The Trustee shall prepare and deliver, or cause to be prepared and delivered, to the Noteholders and the Rating Agency the reports provided under (a) and (b) above on or before the fifth Business Day following the respective Measurement Dates.

The Collateral Manager shall monitor the CDO Assets and Eligible Investments on behalf of the Issuer. In addition, the Collateral Manager shall cooperate with the Trustee in connection with the performance by the Trustee of its obligations under the Indenture. Without limiting the foregoing, the Collateral Manager shall provide the Trustee, on an ongoing basis, with the information required for the Trustee to prepare all reports and schedules which are required to be prepared and delivered by the Trustee under the Indenture (in such forms and containing such information required thereby) and shall review any such reports and schedules prepared by the Trustee as and to the extent specifically requested by the Trustee, in each case, in reasonably sufficient time for such required reports and schedules to be revised and delivered by the Trustee to the parties entitled thereto under the Indenture. To the extent that such information is not within the possession of the Collateral Manager, the Collateral Manager will use commercially reasonable efforts to obtain such information. The Collateral Manager shall, on behalf of the Issuer, and to the extent reasonable and practicable from sources of information normally available to it as an institutional manager of assets, obtain information concerning whether a CDO Asset has defaulted or become an Impaired Asset. In the event that any discrepancy exists between the information contained in any report and the information maintained by the Collateral Manager, the Issuer (or the Trustee on behalf of the Issuer) and the Collateral Manager shall attempt to promptly resolve

such discrepancy pursuant to the Indenture within five Business Days. If such discrepancy cannot be promptly resolved, the Trustee (on behalf of the Issuer), within five Business Days of notice that the discrepancy cannot be resolved, shall cause independent accountants to be appointed to review such report and the records of the Collateral Manager and the Trustee to determine the cause of the discrepancy. If such review reveals an error in either the report or the records, such report or the records of the Collateral Manager or the Trustee, as the case may be, shall be revised accordingly.

B. Payment Date Reports.

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

C. Tax Reports.

Pursuant to the Indenture, the Independent Accountants shall cause to be prepared and delivered the qualified electing fund information statements and any other tax reports required under the Indenture in accordance with the tax authorities in effect at such time.

D. Worldwide Web.

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

Voting and Information Rights

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

General Information Regarding Commercial Loans

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

The majority of such commercial loans bear interest based on a floating rate index: the London interbank offered rate or "LIBOR," the certificate of deposit rate, a prime or base rate or other index (each as defined in the applicable loan agreement), which may reset daily (as most prime or base rate indices do) or offer the borrower a choice of one, two, three, six, nine or twelve month interest calculation periods. The purchaser of a commercial loan may receive certain syndication or participation fees in connection with its purchase. Other fees payable in respect of a commercial loan, which are separate from interest payments on such commercial loan, may include facility, commitment, amendment, letter of credit and prepayment fees.

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

THE INDENTURE

General

The following summary generally describes certain provisions of the Indenture. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture, which is incorporated herein by reference. A copy of the Indenture may be obtained upon request by prospective purchasers of the Notes from the Placement Agent.

Duties of Trustee

The Trustee undertakes to perform only the duties specifically set forth in the Indenture. In the absence of willful malfeasance, gross negligence (or, in the case of the handling of funds, negligence), bad faith or reckless disregard of its duties on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee conforming to the requirements of the Indenture; *provided*, *however*, that the Trustee will examine the certificates and opinions to determine whether or not they conform on their face to the requirements of the Indenture.

The Trustee may not be relieved from liability for its own grossly negligent (or, in the case of the handling of funds, negligent) action, its own grossly negligent (or, in the case of the handling of funds, negligent) failure to act, its own willful malfeasance, its own bad faith or its own reckless disregard of obligations, except that the Trustee will not be liable for an error of judgment made in good faith by a Responsible Officer unless it is determined by the final and unappealable judgment of a court of competent jurisdiction that the Trustee was grossly negligent (or, in the case of the handling of funds, negligent), reckless, acted in bad faith or engaged in willful misconduct, and will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from the Majority Noteholders. In addition, the Trustee will not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuer. The Trustee will not be required to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties under the Indenture or in the exercise of any of its rights or powers, if it has reasonable grounds to believe that repayments of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. In no event will the Trustee be liable under the Indenture for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Application of Issuer Moneys

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

Investment of Moneys. The Trustee will invest amounts on deposit in the Accounts at the direction of the Collateral Manager. Amounts not invested in CDO Assets will be invested in investments meeting the definition of Eligible Investments.

Reports by Trustee to Noteholders

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

accordance with the Collateral Management Agreement and received by the Trustee and Section 3(c)(7) reminder notices provided by the Issuer to the Trustee.

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

Indemnification

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

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

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

Replacement of Trustee

The Trustee may resign at any time by providing 60 days' prior written notice to the Noteholders, the Collateral Manager, the Issuer and the Rating Agency. The Majority Controlling Class Noteholders may remove the Trustee in their sole discretion by so notifying the Trustee and the Issuer and may appoint a successor Trustee. In any such vote to remove the Trustee, the Trustee and its Affiliates shall not be entitled to vote with respect to any Notes held by the Trustee or any of its Affiliates (other than in a fiduciary capacity), and any Notes owned by the Trustee or any of its Affiliates (other than in a fiduciary capacity) shall be deemed to be not outstanding for purposes of determining the Majority Controlling Class Noteholders. Any resignation or removal will become effective as described below. The Issuer must remove the Trustee immediately if (a) the Trustee fails to comply with the eligibility requirements, (b) the Trustee fails to comply with any lawful action or request for action made to the Trustee in accordance with the terms of the Indenture by the Noteholders or Majority Controlling Class Noteholders, as applicable, (c) the Trustee is adjudged bankrupt or insolvent, (d) a receiver or other public officer takes charge of the Trustee or its property or (e) the Trustee otherwise becomes incapable of acting. The "**Controlling Class**" will be (a) the Class A Notes, (b) if there are no Class A Notes outstanding, the Class B Notes, (c) if there are no Class A Notes or Class B Notes outstanding, the Class C Notes, (d) if there are no Class A Notes, Class B Notes or Class C Notes outstanding, the Class D Notes or (e) if there are no Class A Notes, Class B Notes, the Class C Notes or Class D Notes outstanding, the Class E Notes.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Issuer must, at the direction of the Majority Controlling Class Noteholders (but for this purpose treating any Notes held by the Trustee and any of its Affiliates (other than in a fiduciary capacity) as not

outstanding), promptly appoint a successor Trustee which meets the eligibility requirements set forth in the Indenture. A successor Trustee shall be required to deliver a written acceptance of its appointment to the retiring Trustee and to the Issuer. Thereupon the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under the Indenture. The successor Trustee will mail a notice of its succession to the Noteholders. The retiring Trustee will promptly transfer or cause to be transferred all property and any related agreements, documents and statements held by it as Trustee to the successor Trustee and the retiring Trustee will execute and deliver such instruments and do such other things as may reasonably be required for fully and certainly vesting in the successor Trustee all rights, powers, duties and obligations under the Indenture and in making an orderly transfer of the duties of the Trustee.

In no event will the retiring Trustee be liable for the acts or omissions of any successor Trustee under the Indenture. All fees, charges and expenses of the retiring Trustee shall be paid on the immediately following Quarterly Payment Date, as provided in the Indenture. If a successor Trustee does not take office within 45 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or any Noteholder may petition any court of competent jurisdiction for the appointment of a successor Trustee. If the Trustee fails to comply with the eligibility requirements, any Noteholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. The Issuer's obligations for compensation and indemnification will continue for the benefit of the retiring Trustee, but only with respect to the period prior to the resignation or removal.

Satisfaction and Discharge of Indenture

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

Events of Default; Threshold Value Event

Pursuant to the Indenture, an "**Event of Default**" includes any of the following events: (a) failure to pay interest on the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes at the applicable Note Rate, any Break Funding Amount or principal of the Class A

Notes, the Class B Notes, the Class C Notes or the Class D Notes, as and when and to the extent the same is scheduled to be paid, which failure continues unremedied for a period of five Business Days following the date on which such interest, Break Funding Amount or principal is scheduled to be paid; (b) a Threshold Value Event occurs and (i) continues unremedied through the end of the Notice Period with respect thereto and (ii) if by the end of such Notice Period the Issuer has not received notice of intent to purchase Class E Notes in an amount sufficient to cure such Threshold Value Event and the consent of the Majority Controlling Class Noteholders to the issuance of Class E Notes to cure such Threshold Value Event, continues unremedied for a period of five Business Days after the end of such Notice Period; (c) the Issuer fails to perform or observe any other covenant, condition or agreement in the Indenture, the Notes or the other Basic Documents (i) which failure has had, or could reasonably be expected to have, a material adverse effect on the Noteholders and (ii) such failure continues for a period of 45 days after the date of the Issuer's receipt of written notice thereof from the Trustee; or (d) the occurrence of certain events of bankruptcy, insolvency, receivership or reorganization with respect to the Issuer.

A "**Threshold Value Event**" will be deemed to occur and be continuing if, as determined on the Thursday of each week using the most recent available price information of the CDO Assets provided by the Collateral Manager, (a) the Market Value of the CDO Assets and the Eligible Investments held in the Principal Collateral Account (together with any cash therein), minus (b) the Outstanding Principal Amount of the Class A Notes, is less than (c) the Threshold Value. The "**Threshold Value**" means (a) from the Closing Date to and including August 1, 2013, an amount equal to the lesser of (i) 6.6667% of the aggregate CDO Asset Initial Amount of all of the CDO Assets in the CDO Portfolio as of the date of determination and (ii) $24,000,000; and (b) thereafter, an amount equal to 6.6667% of the aggregate CDO Asset Initial Amount of all of the CDO Assets in the CDO Portfolio as of the date of determination. For purposes of this calculation, CDO Asset Initial Amount of all of the CDO Assets in the CDO Portfolio will include the CDO Asset Initial Amounts of all CDO Assets that have been designated for addition to the CDO Portfolio, but will exclude the CDO Asset Initial Amounts of all CDO Assets that have been designated for deletion from the CDO Portfolio and the amounts of Eligible Investments held in the Principal Collateral Account that will be applied to purchase the CDO Assets that have been designated for addition to the CDO Portfolio.

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

Acceleration of Maturity Date; Rescission and Annulment

If an Event of Default, other than the events described in clauses (b) or (d) in the first paragraph under "*— Event of Default*" above, should occur and be continuing, the Trustee (upon the written instructions of the Majority Controlling Class Noteholders) shall or the Majority Controlling Class Noteholders may, declare all the Notes to be immediately due and payable by a notice in writing to the Issuer (and to the Trustee if given by the Majority Controlling Class

Noteholders) setting forth the Event or Events of Default, and upon any such declaration the Outstanding Principal Amount of the Notes will immediately be due and payable and the payment date therefor will be the tenth Business Day after such declaration (together with interest thereon to such tenth Business Day). Upon the establishment of an Event of Default upon the continuation of a Threshold Value Event or the bankruptcy of the Issuer as set forth above, the Outstanding Principal Amount of the Notes will automatically be deemed due and payable, together with interest thereon to the payment date, which shall be the tenth Business Day after such event. Upon any such acceleration, the Noteholders and the Collateral Manager will also receive the other distributions provided for under the Indenture, subject to the priority of payment provisions described under "*Description of the SERVES — Priority of Payments*."

Upon the occurrence of an Event of Default (other than the events described in clauses (b) or (d) in the first paragraph under "— *Event of Default*" above), after a declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee, the Majority Controlling Class Noteholders, by written notice to the Issuer and the Trustee, may waive any Event of Default set forth in such notice, and rescind and annul such declaration and its consequences; *provided*, *however*, that no such rescission and annulment may extend to or affect any subsequent default or impair any right consequent thereto; *provided further* that if the Trustee has proceeded to enforce any right under the Indenture and such proceedings have been discontinued or abandoned because of such rescission and annulment or for any other reason, or have been determined adversely to the Trustee, then and in every such case, the Trustee, the Issuer and the Noteholders, as the case may be, will be restored respectively to their former positions and rights under the Indenture, and all rights, remedies and powers of the Trustee, the Issuer and the Noteholders, as the case may be, will continue as though no such proceedings had been taken.

Collection of Indebtedness and Enforcement by Trustee

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

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

(a) to file and prove a claim or claims for the whole amount of principal, interest and any other amounts owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims

of the Trustee (including any claim for reasonable compensation to the Trustee and agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred (including costs of collection and enforcement), and all advances made, by the Trustee except as a result of willful malfeasance, gross negligence (or, in the case of the handling of funds, negligence) or reckless disregard of obligations) and of the Noteholders allowed in such proceedings;

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

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

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

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

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

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

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

Limitation of Suits

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

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

Control by Noteholders

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

Waiver of Past Defaults

Prior to the declaration of the acceleration of the maturity of the Notes as provided in the Indenture, the holders of not less than a Majority of the Controlling Class may waive any past Event of Default and its consequences except a default (a) in the payment of principal of or interest on the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes, as the

case may be, or (b) in respect of a covenant or provision which cannot be modified or amended without the consent of the holder of each Note. In the case of any such waiver, the Issuer, the Trustee and the Noteholders will be restored to their former positions and rights under the Indenture, respectively. Upon any such waiver, such default will cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom will be deemed to have been cured and not have occurred, for every purpose of the Indenture; but no such waiver will extend to any subsequent or other Event of Default or impair any right consequent thereto.

Undertaking for Costs

All parties to the Indenture agree, and each holder of any Note by such holder's acceptance thereof will be deemed to have agreed, that any court may in its discretion require, in any proceeding for the enforcement of any right or remedy under the Indenture, or in any proceeding against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such proceeding of an undertaking to pay the costs of such proceeding and that such court may in its discretion assess costs, including reasonable attorneys' fees, against any party litigant in such proceeding, having due regard to the merits and good faith of the claims or defenses made by such party litigant; *provided* that the provisions of the Indenture will not apply to (a) any proceeding instituted by the Trustee; (b) any proceeding instituted by any Noteholder or group of Noteholders, in each case holding in the aggregate more than 10% of the Outstanding Principal Amount of the Notes; or (c) any proceeding instituted by any Noteholder for the enforcement of the payment of principal of or interest on any Note on or after the respective due dates expressed in such Note and in the Indenture.

Supplemental Indentures

Without the consent of any Noteholders but with prior written notice to the Noteholders and the Rating Agency and satisfaction of the Rating Agency Condition, each of the Issuer and the Trustee, in accordance with and upon receipt of any written consents, certificates and opinions of counsel required by the Indenture, may enter into one or more indentures supplemental to the Indenture, in form satisfactory to the Trustee, for any of the following purposes: (a) to evidence the succession, in compliance with the Indenture, of another person to the obligations of the Issuer, and the assumption by any such successor of the covenants of the Issuer contained in the Indenture and the Notes; (b) to cure any ambiguity in the Indenture or in any supplemental indenture; (c) to evidence and provide for the acceptance of the appointment under the Indenture by a successor Trustee with respect to the Notes; (d) to correct or supplement any provision in the Indenture or in any supplemental indenture which may be inconsistent with any other provision in the Indenture or in any supplemental indenture; (e) to perfect the security interest granted under the Indenture; (f) to provide for definitive Notes; (g) to make administrative or other nonmaterial changes as the Issuer deems appropriate; or (h) amend the Purchase Criteria; *provided*, *however*, that (x) such action may not adversely affect in any material respect the interest of any Noteholder without the consent of such Noteholder, (y) such action may not adversely affect the interest of the Collateral Manager without the consent of the Collateral Manager or (z) with respect to the Purchase Criteria, if applicable, the Issuer and the Trustee must receive an opinion of counsel from a nationally recognized tax counsel that such

amendment will not have a material adverse effect on the conclusion that the Issuer is not engaged in a trade or business in the United States for U.S. federal income tax purposes.

The Issuer and the Trustee may, upon receipt of the prior written consent of a Majority of any Class of Notes materially and adversely affected thereby and the Collateral Manager and the satisfaction of the Rating Agency Condition, enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provision to, or changing in any manner or eliminating any of the provisions of, the Indenture or of modifying in any manner the rights of the Noteholders under the Indenture; *provided, however* that unless notified by a Majority of a Class of Notes that such Class of Notes will be materially and adversely affected prior to the execution of the supplemental indenture, the Trustee may conclusively rely on an opinion of counsel as to whether or not any Noteholders of Notes would be materially and adversely affected by such change (after giving at least 15 days prior written notice of such change to the Noteholders of such Notes) and such determination will be conclusive and binding on all present and future Noteholders; *provided, further* that no such supplemental indenture will, without the consent of the holder of each outstanding Note affected thereby, (a) change the date of payment of any installment of principal of or interest on any Note (including, in the case of the Class A-1 Revolving Notes, any Break Funding Amounts), or reduce the principal amount thereof or the interest payable thereon, or change any provision of the Indenture relating to the payment of amounts payable on the Notes, or change any place of payment where, or the coin or currency in which, any Note or the interest thereon is payable, or impair the right to institute suit for the enforcement of any provision of the Indenture requiring the application of funds available therefor to the payment of any such amount due on the Notes on or after the respective due date thereof; (b) reduce the percentage of the Outstanding Principal Amount of the Notes, the consent of the holders of which is required for any such supplemental indenture, or the consent of the holders of which is required for any waiver of compliance with certain provisions of the Indenture or certain defaults under the Indenture and their consequences provided for in the Indenture; (c) modify or alter the circumstances in which Notes owned by the Issuer, the Trustee or any of their affiliates may be included in determining whether the Noteholders have given any request, demand, authorization, direction, notice, consent or waiver; or (d) reduce the percentage of the Outstanding Principal Amount of the Notes required to amend the sections of the Indenture which specify the aggregate principal amount of the Notes the consent of the holders of which is necessary to amend the Indenture or the other Basic Documents.

In determining whether or not any Notes would be adversely affected in any material respect or materially and adversely affected (in each case such that the consent of each Noteholder would be required) by any supplemental indenture proposed pursuant to the Indenture, the Trustee may, conclusively rely on an opinion of counsel as to whether or not any Noteholders of Notes would be adversely affected in any material respect or materially and adversely affected in each case by such change and such determination will be conclusive and binding on all Noteholders.

Promptly after the execution by the Issuer and the Trustee of any supplemental indenture pursuant to the Indenture, the Trustee will mail to the Rating Agency, the Collateral Manager and the Noteholders to which such amendment or supplemental indenture relates a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Trustee

to mail such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplemental indenture.

PRIVATE PLACEMENT

Pursuant to a Private Placement Agency Agreement dated as of the Closing Date, the Placement Agent (directly or through an international affiliate) has agreed to use its reasonable best efforts to sell on behalf of the Issuer, subject to the satisfaction of certain conditions, the Notes. The Notes will be initially offered at prices as may be negotiated at the time of sale.

The Issuer has been advised by the Placement Agent that the Placement Agent proposes to arrange the sale of the Notes to (i) in the case of the Rule 144A Global Notes or Rule 144A Definitive Notes, to Qualified Institutional Buyers and Qualified Purchasers, (ii) in the case of the Restricted Definitive Notes, to Qualified Institutional Buyers or Accredited Investors, who, in each case, are also Qualified Purchasers and (iii) in the case of the Regulation S Global Notes and the Regulation S Definitive Notes, in offshore transactions to persons who are not U.S. Persons, in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with the restrictions under "*Purchase and Transfer Restrictions*" herein. The Class A-1 Revolving Notes may be sold either as Rule 144A Definitive Notes or Regulation S Definitive Notes. The Class A-2 Term Notes, the Class B Notes and the Class C Notes may be sold as Rule 144A Global Notes or Regulation S Global Notes. The Class D Notes may be sold either as Restricted Definitive Notes, Rule 144A Global Notes or Regulation S Global Notes. The Class E-1 Notes may be sold either as Restricted Definitive Notes or a Regulation S Global Notes. The Class E-2 Notes may be sold as Regulation S Global Notes. Any offer or sale of Notes made in the United States will be made by broker-dealers, including certain affiliates of the Placement Agent, which are registered as broker-dealers under the Exchange Act. The Placement Agent may allow a concession, not in excess of the selling concession, to certain brokers or dealers.

Banc of America Securities LLC will be paid a structuring and placement fee pursuant to the Placement Agency Agreement. Such fee will constitute a Transaction Expense to be paid as soon as reasonably practicable on or after the Closing Date. On each Quarterly Payment Date, the Placement Agent will be paid a Deferred Structuring Fee to the extent any amount is payable. Additionally, on each Quarterly Payment Date up to and including the Lock-out Date, the Placement Agent will also be paid a Senior Deferred Structuring Fee to the extent any amount is payable. See "*Description of the SERVES — Priority of Payments*."

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

The Placement Agent has agreed that it will not offer, sell or deliver any Notes, within the United States or to, or for the account or benefit of, U.S. Persons except to Accredited Investors (solely in the case of the Class D Notes or the Class E-1 Notes) or Qualified

Institutional Buyers who in each case are also Qualified Purchasers. In addition, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than pursuant Section 4(2) of the Securities Act. As used in this paragraph, the terms "United States" and "U.S." have the meanings given to them by Regulation S under the Securities Act.

PURCHASE AND TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

Each purchaser of Notes in the offering that purchases such Notes in the form of a Definitive Note will be required to enter into a subscription agreement with the Issuer (or, in the case of the Class A-1 Revolving Note, a Class A-1 Revolving Note Purchase Agreement) pursuant to which such purchaser will make the representations and agreements applicable to such purchaser in substantially the form as provided below. Each purchaser of Notes in the offering that purchases such Notes in the form of a Rule 144A Global Note or a Regulation S Global Note will be deemed to have made the representations and agreements applicable to such purchaser as provided below. After the initial offering, each subsequent purchaser or transferee of Notes issued in the form of a Definitive Note will make, and each subsequent purchaser or transferee of Notes issued in the form of a Global Note will be deemed to have made, the representations and agreements applicable to such purchaser or transferee as provided below (terms used in the paragraphs below that are defined in Rule 144A or Regulation S under the Securities Act, as applicable, are used herein as defined therein).

Senior Notes

Each purchaser or subsequent transferee of Senior Notes will be deemed to have made (or, in the case of a purchaser or subsequent transferee of Senior Notes in the form of a Definitive Note, will make) the representations and agreements applicable to such purchaser as follows:

(a) The purchaser is acquiring the Notes for its own account or for one or more accounts, as to each of which the purchaser exercises sole investment discretion, and in a minimum denomination of not less than the amount permitted by the Indenture for the purchaser and for each such account. Each of the purchaser and any accounts for which the purchaser is acquiring the Notes either (1) is a "qualified purchaser" (as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended) that is also (x) solely in the case of the Class D Notes, an "accredited investor" (within the meaning of Rule 501 of Regulation D under the Securities Act, or an entity all of whose equity owners are such accredited investors) or (y) a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act), or (2) is not a U.S. Person (as defined in Regulation S under the Securities Act) and is purchasing the Notes in an offshore transaction in compliance with Regulation S pursuant to Rule 903 or 904 thereof, and in compliance with all applicable laws in any jurisdiction in which the purchaser or any such account resides or is located. In the case of a purchaser (or an account for which such purchaser is acting) acquiring a beneficial interest in a Rule 144A Global Note, such purchaser or account is not a broker-dealer that owns and invests on a discretionary basis less than $25,000,000 in

securities of unaffiliated issuers and is not a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made.

(b) The purchaser has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisors to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by any other person. The purchaser is purchasing the Notes with a full understanding of all of the terms, conditions and risks thereof (economic and otherwise), and the purchaser and any accounts for which it is acting are capable of assuming and willing to assume (financially and otherwise) those risks, including the loss of all or a substantial part of its investment under certain circumstances.

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

(d) The purchaser has had access to such financial and other information concerning the Issuer and the Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Notes, including an opportunity to ask questions of and request information from the Issuer and the Collateral Manager.

(e) In connection with the purchase of the Notes (*provided* that no such representations are made with respect to the Collateral Manager by any managed account of the Collateral Manager), none of the Issuer, the Placement Agent, the Collateral Manager, the Collateral Administrator, the Trustee (except to the extent of its capacity as indenture trustee under the Indenture) or the Company Administrator (1) is acting as a fiduciary or financial or investment advisor for the purchaser, (2) has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence, or benefit (including legal, regulatory, tax, financial, accounting or otherwise) of its purchase and (3) has given any advice, counsel or representations (whether written or oral) other than, in the case of the Issuer, in a current private placement memorandum for such Notes and any representations expressly set forth in a written agreement with such party.

(f) If the Notes are being acquired by or for the account of a U.S. Person: (x) the purchaser (and each account for which the purchaser is acquiring the Notes) was not formed solely for the purpose of investing in the Notes, and is not a (1) partnership, (2) common trust fund or (3) special trust, pension fund or retirement plan in which the partners, beneficiaries or

participants, as applicable, may designate the particular investments to be made, and the Notes purchased directly or indirectly by it constitute an investment of no more than 40% of the purchaser's (and each such account's) assets and (y) the purchaser (and each such account) will not hold the Notes for the benefit of any other person, shall be the sole beneficial owner thereof for all purposes, and shall not sell participation interests in the Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Notes, unless the Issuer in its sole discretion expressly otherwise permits in writing.

(g) The Notes may not at any time be resold, pledged or transferred to U.S. Persons that are not (i) qualified institutional buyers who are also qualified purchasers or (ii) solely in the case of the Class D Notes with respect to which the transferee will hold its interest therein in the form of Definitive Notes, accredited investors who are also qualified purchasers. The purchaser must inform a prospective transferee of the transfer restrictions. Before any interest in a Regulation S Global Note may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Rule 144A Global Note or a Definitive Note, before any interest in a Rule 144A Global Note or a Definitive Note may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Regulation S Global Note, and before any interest in a Note may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Definitive Note, the purchaser will obtain from the transferee a certificate substantially in the applicable form provided in the Indenture, a copy of which must be provided to the Trustee and the Issuer. In addition, no resale or transfer of the Class A-1 Revolving Notes may be effected unless the Collateral Manager has provided its written consent thereto, such consent not to be unreasonably withheld or delayed.

(h) In the case of:

(1) In the case of the Class A Notes, the Class B Notes and the Class C Notes, on each day the purchaser or subsequent transferee holds the Class A Notes, the Class B Notes or the Class C Notes, or any beneficial interest therein, either (i) the purchaser is not a Plan or an entity whose underlying assets include "plan assets" by reason of such Plan's investment in the entity, or a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (ii) if the purchaser is an entity described in the preceding clause (i), the purchase, holding and disposition of a Class A Note, Class B Note or Class C Note, as the case may be, will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of any governmental, church, non-U.S. or other plan, a non-exempt violation of any similar federal, state, local or non-U.S. law). Any purported purchase or transfer of Class A Notes, Class B Notes and Class C Notes to a purchaser that does not comply with the requirements of this paragraph (h)(1) shall be null and void ab initio and will vest in the transferee no rights against the Trustee or the Issuer.

(2) In the case of the Class D Notes, each purchaser, at the time of its purchase and throughout the period that it holds such Class D Notes or any interest therein: (1) either (a) it is not a Benefit Plan Investor, (b) it is an insurance company acting on behalf of its general account and its purchase and holding of a Class D Note, or

an interest therein, are eligible for exemptive relief under PTCE 95-60 or some other applicable exemption and, (i) as of the date it acquires a Class D Note or any interest therein, less than 25 percent of the assets of such general account constitute "plan assets" (as defined in the Plan Asset Regulations), (ii) it agrees that if, after its initial acquisition of a Class D Note or any interest therein, at any time during any month, 25 percent or more of the assets of such general account constitute "plan assets", then such insurance company shall, in a manner consistent with the restrictions on transfer set forth herein, dispose of all of the Class D Notes or any interest therein, held in its general account by the end of the next following month, and (iii) it is not a Controlling Person or (c) if it is a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law substantially similar to Title I of ERISA or Section 4975 of the Code, its purchase and holding of such Class D Notes will not constitute or result in a non-exempt violation under any such substantially similar federal, state, local or non-U.S. law and (2) it will not sell or otherwise transfer any such Class D Note or any interest therein to any person who cannot satisfy these same foregoing representations, warranties and covenants. Any purported purchase or transfer of Class D Notes that does not comply with the foregoing shall be null and void ab initio and will vest in the transferee no rights against the Trustee or the Issuer. No Benefit Plan Investor or Controlling Person will be permitted to purchase the Class D Notes unless its purchase, holding and disposition of such Class D Notes will not cause participation by Benefit Plan Investors to be "significant" within the meaning of the Plan Asset Regulations. The documents related to the issuance of the Class D Notes permit the Issuer to require that (1) any person acquiring Class D Notes who is determined to be a Benefit Plan Investor (other an insurance company acting on behalf of its general account that satisfies the requirement described herein) or (2) any person acquiring a Class D Note that is an insurance company acting on behalf of its general account who is determined to be a Controlling Person or (3) any person acquiring a Class D Note that is an insurance company acting on behalf of its general account and if, at any time during any month, 25% or more of the assets of such general account constitute "plan assets" sell such Class D Note or any interest therein to a transferee who meets all applicable transfer restrictions and, if such person does not comply with such demand within the time period as specified herein and/or in the applicable documents, the Issuer may sell such person's interest in such Class D Notes to a transferee who will comply with the applicable transfer restrictions.

(i) In the case of the Class D Notes, each purchaser or subsequent transferee of a Class D Note that is acquiring, directly or in conjunction with affiliates, more than 33⅓ percent of the aggregate outstanding amount of the Class D Notes will be deemed to make a representation to the effect that it is not an Affected Bank.

(j) The purchaser will, upon request, provide the Issuer (or the Trustee or other authorized representative acting on behalf of the Issuer) with such information as the Issuer deems necessary to verify the identity of the purchaser and the source of the payment of subscription monies, or as the Issuer deems necessary to comply with any customer identification programs required by any government entity or self-regulatory organization having or purporting to have authority over the Issuer, including, without limitation, the Financial Crimes Enforcement Network and/or the SEC, or as the Issuer deems required under any anti-money laundering legislation and regulation of the Cayman Islands. It will not object to the provision at

any time by the Issuer (or the Trustee or other authorized representative acting on behalf of the Issuer) of the general information provided by it pursuant to the immediately preceding sentence or of any additional information requested from the Issuer, in response to a request pursuant to the provisions of the "*Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*" (if it is applicable to the Issuer) or pursuant to any other statue or regulation applicable to the Issuer, from any government entity or self-regulatory organization for information provided by the purchaser to the Issuer (or the Trustee or other authorized representative acting on behalf of the Issuer). It acknowledges that, in the event of delay or failure by such purchaser to produce any information required for verification purposes, an application for purchase or transfer of Notes and the subscription monies relating thereto may be refused.

(k) The purchaser acknowledges that it is the purchaser's intent and that it understands it is the intent of the Issuer that, for purposes of U.S. federal, state and local income and franchise taxes and any other income taxes, the Issuer will be treated as a corporation and the Senior Notes will be treated as debt of the Issuer; and the purchaser agrees to such treatment and agrees to take no action inconsistent with such treatment. The purchaser understands that the Issuer may require certification acceptable to it (i) to permit the Issuer to make payments to it without, or at a reduced rate of, withholding or (ii) to enable the Issuer to qualify for a reduced rate of withholding in any jurisdiction from or through which the Issuer receives payments on its assets.

(l) The Senior Notes will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (A)(1) TO A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (A "QUALIFIED INSTITUTIONAL BUYER") WHO IS ALSO A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE 1940 ACT (A "QUALIFIED PURCHASER") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHO IS ALSO A QUALIFIED PURCHASER, IN A PRINCIPAL AMOUNT OF NOT LESS THAN THE MINIMUM DENOMINATIONS SET FORTH IN THE INDENTURE FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, IN A TRANSACTION (EXCEPT THE INITIAL SALE BY THE ISSUER) MEETING THE REQUIREMENTS OF RULE 144A SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO BELOW, [OR (2) SOLELY IN THE CASE OF ANY NOTES WITH RESPECT TO WHICH THE TRANSFEREE WILL HOLD ITS INTEREST IN THE FORM OF DEFINITIVE NOTES, TO AN ACCREDITED INVESTOR (AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT) WHO IS ALSO A QUALIFIED PURCHASER, IN A PRINCIPAL AMOUNT OF NOT LESS THAN THE MINIMUM DENOMINATIONS SET FORTH IN THE INDENTURE IN A TRANSACTION EXEMPT FROM REGISTRATION

UNDER THE SECURITIES ACT, SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO BELOW,][1] OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

IN THE CASE OF CLAUSES (A)(1) [AND (2) ABOVE][2], AS APPLICABLE, THE PURCHASER AGREES THAT IT AND EACH ACCOUNT FOR WHICH SUCH PURCHASER IS ACTING (X) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER AND EACH SUCH ACCOUNT IS A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(C)(7) OF THE 1940 ACT), (Y) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER OR SUCH ACCOUNT IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, AND (Z) IN THE CASE OF A PURCHASER OR AN ACCOUNT FOR WHICH SUCH PURCHASER IS ACTING ACQUIRING A BENEFICIAL INTEREST IN A RULE 144A GLOBAL NOTE, IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE.

ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. IF AT ANY TIME, THE ISSUER DETERMINES OR IS NOTIFIED THAT THE HOLDER OF SUCH BENEFICIAL INTEREST IN SUCH NOTE WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE REPRESENTATIONS SET FORTH IN THE INDENTURE, THE TRUSTEE SHALL CONSIDER THE ACQUISITION OF THIS NOTE OR SUCH INTEREST IN SUCH NOTE VOID AND REQUIRE THAT THIS NOTE OR SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER.

THE FAILURE TO PROVIDE THE ISSUER, THE TRUSTEE AND ANY PAYING AGENT, WHENEVER REQUESTED BY THE ISSUER OR THE COLLATERAL MANAGER ON BEHALF OF THE ISSUER, WITH THE APPLICABLE U.S. FEDERAL INCOME TAX CERTIFICATIONS (GENERALLY, AN INTERNAL REVENUE SERVICE FORM W-9 (OR APPLICABLE SUCCESSOR FORM) IN THE CASE OF A PERSON THAT IS A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE OR AN APPROPRIATE INTERNAL REVENUE SERVICE FORM W-8 (OR APPLICABLE SUCCESSOR FORM) IN THE CASE OF A PERSON THAT IS NOT A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE

[1] Applies only to the Class D Notes issued as Restricted Definitive Notes.

[2] Applies only to the Class D Notes issued as Restricted Definitive Notes.

CODE) SHALL RESULT IN U.S. FEDERAL BACK-UP WITHHOLDING FROM PAYMENTS TO THE HOLDER IN RESPECT OF THIS NOTE.

The Class A Notes, Class B Notes and the Class C Notes will bear the following additional legend:

THE ACQUISITION OF THE NOTES BY, OR ON BEHALF OF, OR WITH THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN THAT IS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), AND SUBJECT TO TITLE I OF ERISA, ANY PLAN THAT IS DEFINED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND SUBJECT TO SECTION 4975 OF THE CODE, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY, OR ANY GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN SUBJECT TO FEDERAL, STATE, LOCAL OR NON-U.S. LAW SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE IS PROHIBITED UNLESS SUCH PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THE NOTES WOULD NOT RESULT IN ANY NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR UNDER SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL, CHURCH OR OTHER PLAN, A NON-EXEMPT VIOLATION UNDER ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE, LOCAL OR NON-U.S. LAW).

The Class D Notes will bear the following additional legend:

EACH PURCHASER AND EACH SUBSEQUENT TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN, THAT: (1) EITHER (A) IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, ("ERISA")) THAT IS SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA, (II) A PLAN AS DEFINED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY OR (IV) A "BENEFIT PLAN INVESTOR" AS SUCH TERM IS OTHERWISE DEFINED IN ANY REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR UNDER SECTION 3(42) OF ERISA OR (B) IT IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT AND ITS PURCHASE AND HOLDING OF THIS NOTE, OR AN INTEREST THEREIN, ARE ELIGIBLE FOR EXEMPTIVE RELIEF UNDER PROHIBITED TRANSACTION CLASS EXEMPTION 95-60 OR SOME OTHER APPLICABLE EXEMPTION AND, (I) AS OF THE DATE IT ACQUIRES THIS NOTE, OR ANY INTEREST THEREIN, LESS THAN 25 PERCENT OF THE ASSETS OF SUCH GENERAL ACCOUNT CONSTITUTE "PLAN ASSETS" (AS DEFINED IN THE PLAN ASSET REGULATIONS ISSUED BY THE U.S. DEPARTMENT OF LABOR SET FORTH AT 29 C.F.R. SECTION 2510.3-101), (II) IT AGREES THAT IF, AFTER ITS INITIAL

ACQUISITION OF THIS NOTE, OR ANY INTEREST THEREIN, AT ANY TIME DURING ANY MONTH 25 PERCENT OR MORE OF THE ASSETS OF SUCH GENERAL ACCOUNT CONSTITUTE "PLAN ASSETS", THEN SUCH INSURANCE COMPANY SHALL, IN A MANNER CONSISTENT WITH THE RESTRICTIONS ON TRANSFER SET FORTH HEREIN, DISPOSE OF ALL OF THESE NOTES AND ANY INTEREST THEREIN, HELD IN ITS GENERAL ACCOUNT BY THE END OF THE NEXT FOLLOWING MONTH, AND (III) IT IS NOT A PERSON WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR ANY PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS OR AN AFFILIATE OF SUCH A PERSON OR (C) IF IT IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, ITS PURCHASE AND HOLDING OF SUCH NOTES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION UNDER ANY SUCH SUBSTANTIALLY SIMILAR FEDERAL, STATE, LOCAL OR NON-U.S. LAW AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTE OR INTEREST TO ANY PERSON WHO CANNOT SATISFY THESE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS.

In addition, the Class A-1 Revolving Notes will bear the following additional legend:

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH IN THE INDENTURE. THE AGGREGATE PRINCIPAL AMOUNT OF THIS NOTE WILL BE INCREASED AS AND WHEN THE HOLDER HEREOF ADVANCES FUNDS IN CONNECTION WITH A BORROWING AND WILL BE DECREASED AS AND WHEN ANY PRINCIPAL IS PAID IN RESPECT OF THIS NOTE, IN EACH CASE PURSUANT TO THE INDENTURE AND THE CLASS A-1 REVOLVING NOTE" PURCHASE AGREEMENT REFERRED TO HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE DIFFERENT THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE DURING THE REINVESTMENT PERIOD MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE. IN ADDITION, NO RESALE OR TRANSFER OF THE CLASS A-1 REVOLVING NOTES MAY BE EFFECTED UNLESS THE COLLATERAL MANAGER HAS PROVIDED ITS WRITTEN CONSENT THERETO, SUCH CONSENT NOT TO BE UNREASONABLY WITHHELD OR DELAYED.

In addition, each Senior Note represented by an interest in a Rule 144A Global Note or a Regulation S Global Note will bear the following additional legend:

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

USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

(m) The purchaser understands that, in the event that at any time the Issuer or the Trustee determines that (1) the purchaser or subsequent transferee was in breach, at the time given, of any of the representations or agreements set forth above or (2) a purported transfer of the Senior Notes is made to a transferee that does not comply with the representations and agreements set forth above or with the applicable provisions of the Indenture, then in each instance, the Trustee shall consider the acquisition or purported transfer of the related Senior Notes null and void *ab initio* and require that the related Notes be transferred to a person designated by the Issuer.

Class E Notes

Each purchaser or subsequent transferee of Class E Notes will be deemed to have made (or, in the case of a purchaser or subsequent transferee of a Class E-1 Note in the form of a Restrictive Definitive Note, will make) the representations and agreements applicable to such purchaser as follows:

(a) The purchaser is acquiring the Class E Notes for its own account or for one or more accounts, as to each of which the purchaser exercises sole investment discretion, and in a minimum denomination of not less than the amount permitted by the Indenture for the purchaser and for each such account. Each of the purchaser and any accounts for which the purchaser is acquiring the Class E Notes either (1) solely in the case of the Class E-1 Notes, is a "qualified purchaser" (as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended) that is also (x) an "accredited investor" (within the meaning of Rule 501 of Regulation D under the Securities Act, or an entity all of whose equity owners are such accredited investors) or (y) a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act), or (2) is not a U.S. Person (as defined in Regulation S under the Securities Act) and is purchasing the Class E Notes in an offshore transaction in compliance with Regulation S pursuant to Rule 903 or 904 thereof, and in compliance with all applicable laws in any jurisdiction in which the purchaser or any such account resides or is located.

(b) The purchaser has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisors to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by any other person. The purchaser is purchasing the Class E Notes with a full understanding of all of the terms, conditions and risks thereof (economic and otherwise), and the purchaser and any accounts for which it is acting are capable of assuming and willing to assume (financially and otherwise) those risks, including the loss of all or a substantial part of its investment under certain circumstances.

(c) The purchaser understands that the Class E Notes are being offered only in transactions not involving any public offering in the United States within the meaning of the

Securities Act and is not purchasing the Class E Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act. The Class E Notes have not been and will not be registered under the Securities Act, and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer the Class E Notes, such Class E Notes may be offered, resold, pledged or otherwise transferred only in accordance with the legend on such Class E Notes described in paragraph (l) below. The purchaser acknowledges that no representation is made by the Issuer or the Placement Agent as to the availability of any exemption under the Securities Act or any state securities laws for resale of the Class E Notes.

(d) The purchaser has had access to such financial and other information concerning the Issuer and the Class E Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Class E Notes, including an opportunity to ask questions of and request information from the Issuer and the Collateral Manager.

(e) In connection with the purchase of the Class E Notes (*provided* that no such representations are made with respect to the Collateral Manager by any managed account of the Collateral Manager), none of the Issuer, the Placement Agent, the Collateral Manager, the Trustee (except to the extent of its capacity as indenture trustee under the Indenture), the Collateral Administrator or the Company Administrator (1) is acting as a fiduciary or financial or investment advisor for the purchaser, (2) has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence, or benefit (including legal, regulatory, tax, financial, accounting or otherwise) of its purchase and (3) has given any advice, counsel or representations (whether written or oral) other than, in the case of the Issuer, in a current private placement memorandum for such Notes and any representations expressly set forth in a written agreement with such party.

(f) If the purchaser is a U.S. Person (as defined in Regulation S under the Securities Act) acquiring Class E-1 Notes in the form of Restricted Definitive Notes: (x) the purchaser (and each account for which the purchaser is acquiring the Class E Notes) was not formed solely for the purpose of investing in the Class E Notes, and is not a (1) partnership, (2) common trust fund or (3) special trust, pension fund or retirement plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made, and the Class E Notes purchased directly or indirectly by it constitute an investment of no more than 40% of the purchaser's (and each such account's) assets and (y) the purchaser (and each such account) will not hold the Class E Notes for the benefit of any other person, shall be the sole beneficial owner thereof for all purposes, and shall not sell participation interests in the Class E Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Class E Notes, unless the Issuer in its sole discretion expressly otherwise permits in writing.

(g) The Class E-1 Notes may not at any time be resold, pledged or transferred to U.S. Persons that are not (i) qualified institutional buyers who are also qualified purchasers or (ii) accredited investors who are also qualified purchasers. The Class E-2 Notes may not at anytime be resold, pledged or transferred to U.S. Persons. The purchaser must inform a prospective transferee of the transfer restrictions. Before any interest in a Regulation S Global Note may be

offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Definitive Note, before any interest in a Definitive Note may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Regulation S Global Note, and before any interest in a Class E Note may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Definitive Note, the purchaser will obtain from the transferee a certificate substantially in the applicable form provided in the Indenture, a copy of which must be provided to the Trustee and the Issuer.

(h) Each purchaser, at the time of its purchase and throughout the period that it holds such Class E Notes or any interest therein: (1) either (a) it is not a Benefit Plan Investor, (b) it is an insurance company acting on behalf of its general account and its purchase and holding of a Class E Note, or an interest therein, are eligible for exemptive relief under PTCE 95-60 or some other applicable exemption and, (i) as of the date it acquires a Class E Note or any interest therein, less than 25 percent of the assets of such general account constitute "plan assets" (as defined in the Plan Asset Regulations), (ii) it agrees that if, after its initial acquisition of a Class E Note or any interest therein, at any time during any month, 25 percent or more of the assets of such general account constitute "plan assets", then such insurance company shall, in a manner consistent with the restrictions on transfer set forth herein, dispose of all of the Class E Notes or any interest therein, held in its general account by the end of the next following month, and (iii) it is not a Controlling Person or (c) if it is a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law substantially similar to Title I of ERISA or Section 4975 of the Code, its purchase and holding of such Class E Notes will not constitute or result in a non-exempt violation under any such substantially similar federal, state, local or non-U.S. law and (2) it will not sell or otherwise transfer any such Class E Note or any interest therein to any person who cannot satisfy these same foregoing representations, warranties and covenants. Any purported purchase or transfer of Class E Notes that does not comply with the foregoing shall be null and void ab initio and will vest in the transferee no rights against the Trustee or the Issuer. No Benefit Plan Investor or Controlling Person will be permitted to purchase the Class E Notes unless its purchase, holding and disposition of such Class E Notes will not cause participation by Benefit Plan Investors to be "significant" within the meaning of the Plan Asset Regulations. The documents related to the issuance of the Class E Notes permit the Issuer to require that (1) any person acquiring Class E Notes who is determined to be a Benefit Plan Investor (other an insurance company acting on behalf of its general account that satisfies the requirement described herein) or (2) any person acquiring a Class E Note that is an insurance company acting on behalf of its general account who is determined to be a Controlling Person or (3) any person acquiring a Class E Note that is an insurance company acting on behalf of its general account and if, at any time during any month, 25% or more of the assets of such general account constitute "plan assets" sell such Class E Note or any interest therein to a transferee who meets all applicable transfer restrictions and, if such person does not comply with such demand within the time period as specified herein and/or in the applicable documents, the Issuer may sell such person's interest in such Class E Notes to a transferee who will comply with the applicable transfer restrictions.

(i) Each purchaser or subsequent transferee of a Class E Note in the form of Definitive Notes that is acquiring, directly or in conjunction with affiliates, more than 33⅓ percent of the aggregate outstanding amount of the Class E Notes will make a representation to the effect that it is not an Affected Bank. Each purchaser or subsequent transferee of a Class E

Note in the form of Global Notes that is acquiring, directly or in conjunction with affiliates, more than 33⅓ percent of the aggregate outstanding amount of the Class E Notes will be deemed to make a representation to the effect that it is not an Affected Bank.

(j) The purchaser will, upon request, provide the Issuer (or the Trustee or other authorized representative acting on behalf of the Issuer) with such information as the Issuer deems necessary to verify the identity of the purchaser and the source of the payment of subscription monies, or as the Issuer deems necessary to comply with any customer identification programs required by any government entity or self-regulatory organization having or purporting to have authority over the Issuer, including, without limitation, the Financial Crimes Enforcement Network and/or the SEC, or as the Issuer deems required under any anti-money laundering legislation and regulation of the Cayman Islands. It will not object to the provision at any time by the Issuer (or the Trustee or other authorized representative acting on behalf of the Issuer) of the general information provided by it pursuant to the immediately preceding sentence or of any additional information requested from the Issuer, in response to a request pursuant to the provisions of the "*Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*" (if it is applicable to the Issuer) or pursuant to any other statue or regulation applicable to the Issuer, from any government entity or self-regulatory organization for information provided by the purchaser to the Issuer (or the Trustee or other authorized representative acting on behalf of the Issuer). It acknowledges that, in the event of delay or failure by such purchaser to produce any information required for verification purposes, an application for purchase or transfer of Class E Notes and the subscription monies relating thereto may be refused.

(k) The purchaser acknowledges that it is the purchaser's intent and that it understands it is the intent of the Issuer that, for purposes of U.S. federal, state and local income and franchise taxes and any other income taxes, the Issuer will be treated as a corporation and the Class E Notes will be treated as equity in the Issuer; and the purchaser agrees to such treatment and agrees to take no action inconsistent with such treatment. The purchaser understands that the Issuer may require certification acceptable to it (i) to permit the Issuer to make payments to it without, or at a reduced rate of, withholding or (ii) to enable the Issuer to qualify for a reduced rate of withholding in any jurisdiction from or through which the Issuer receives payments on its assets.

(l) The Class E Notes will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED AS AN INVESTMENT COMPANY UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY [(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER,

IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, OR (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT), IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (3)][3] IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S OF THE SECURITIES ACT, [AND, IN THE CASE OF CLAUSES (1) AND (2), IN AN AMOUNT OF NOT LESS THAN THE MINIMUM DENOMINATIONS SET FORTH IN THE INDENTURE AND IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY JURISDICTION. IN THE CASE OF CLAUSES (1) AND (2) ABOVE, AS APPLICABLE, THE PURCHASER AGREES THAT IT AND EACH ACCOUNT FOR WHICH SUCH PURCHASER IS ACTING (X) IS A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(C)(7) OF THE 1940 ACT, (Y) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER AND EACH SUCH ACCOUNT IS A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(C)(7) OF THE 1940 ACT), AND (Z) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER OR SUCH ACCOUNT IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE 1940 ACT EXEMPTION.][4] ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN, IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER MAINTAINS THE RIGHT TO RESELL ALL OR ANY PORTION OF THIS NOTE PREVIOUSLY TRANSFERRED TO NON-PERMITTED HOLDERS (AS DEFINED IN THE INDENTURE) IN ACCORDANCE WITH AND SUBJECT TO THE TERMS OF THE INDENTURE.

[IF THE TRANSFER OF THIS NOTE IS TO BE MADE PURSUANT TO CLAUSE (1) OR (2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THIS NOTE WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE TRUSTEE A CERTIFICATE, SUBSTANTIALLY IN THE FORM OF AN EXHIBIT TO THE INDENTURE, STATING THAT, AMONG OTHER THINGS, THE TRANSFEREE IS (1) (X) A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT) AND (2) A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(C)(7) OF THE 1940 ACT. ANY PURPORTED TRANSFER OF THIS NOTE TO A TRANSFEREE THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH ABOVE SHALL BE NULL

[3] Applies only to Class E-1 Notes.

[4] Applies only to Class E-1 Notes.

AND VOID AB INITIO AND WILL VEST IN THE TRANSFEREE NO RIGHTS AGAINST THE TRUSTEE OR THE ISSUER.][5]

[BY ACCEPTING THIS NOTE, THE PURCHASER (A) REPRESENTS THAT NEITHER THE PURCHASER NOR ANY OF ITS AFFILIATES WILL BE TREATED AS A U.S. SHAREHOLDER AS DEFINED IN SECTION 951(b) OF THE CODE, AND (B) COVENANTS THAT (I) SUCH PURCHASER SHALL NOT, AT ANY TIME THAT IT IS A HOLDER OF THE CLASS E-2 NOTES, PERMIT OR CAUSE THE LEGAL STATUS OF SUCH PURCHASER OR ANY OF ITS AFFILIATES TO CHANGE, BY REORGANIZATION, RECAPITALIZATION, ACQUISITION, OR OTHERWISE, IN A MANNER THAT WILL CAUSE SUCH PURCHASER OR ANY OF ITS AFFILIATES TO BE TREATED AS A "U.S. SHAREHOLDER" AS DEFINED IN SECTION 951(b) OF THE CODE (PROVIDED THAT WITH RESPECT TO THIS COVENANT IN CLAUSE (B)(I), THE INITIAL HOLDER OF A MAJORITY OF THE CLASS E-2 NOTES MAY HOLD THE CLASS E-2 NOTES FOR UP TO 20 DAYS IN THE AGGREGATE IN ANY TWELVE MONTH PERIOD DURING WHICH SUCH HOLDER OR ANY OF ITS AFFILIATES IS A U.S. SHAREHOLDER, WHETHER DUE TO A CHANGE OF LEGAL STATUS OR OTHERWISE), ASSUMING FOR PURPOSES OF THIS REPRESENTATION AND COVENANT THAT THE CLASS E NOTES REPRESENT 100% OF THE COMBINED VOTING POWER OF ALL INTERESTS IN THE ISSUER FOR PURPOSES OF THAT SECTION AND (II) THE PURCHASER WILL NOT TRANSFER ANY INTEREST IN THE CLASS E-2 NOTES UNLESS IT REASONABLY BELIEVES THAT ITS TRANSFEREE CAN MAKE THE REPRESENTATIONS AND WARRANTIES DESCRIBED IN THE PRIVATE PLACEMENT MEMORANDUM. THE PURCHASER ACKNOWLEDGES THAT ANY PURPORTED TRANSFER OF THE CLASS E-2 NOTES TO A TRANSFEREE THAT DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS SHALL BE NULL AND VOID AB INITIO.][6]

EACH PURCHASER AND EACH SUBSEQUENT TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN, THAT: (1) EITHER (A) IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, ("ERISA")) THAT IS SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA, (II) A PLAN AS DEFINED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY OR (IV) A "BENEFIT PLAN INVESTOR" AS SUCH TERM IS OTHERWISE DEFINED IN ANY REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR UNDER SECTION 3(42) OF ERISA OR (B) IT IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT AND ITS PURCHASE AND HOLDING OF THIS

[5] Applies only to Class E-1 Notes.

[6] Applies only to Class E-2 Notes.

NOTE, OR AN INTEREST THEREIN, ARE ELIGIBLE FOR EXEMPTIVE RELIEF UNDER PROHIBITED TRANSACTION CLASS EXEMPTION 95-60 OR SOME OTHER APPLICABLE EXEMPTION AND, (I) AS OF THE DATE IT ACQUIRES THIS NOTE, OR ANY INTEREST THEREIN, LESS THAN 25 PERCENT OF THE ASSETS OF SUCH GENERAL ACCOUNT CONSTITUTE "PLAN ASSETS" (AS DEFINED IN THE PLAN ASSET REGULATIONS ISSUED BY THE U.S. DEPARTMENT OF LABOR SET FORTH AT 29 C.F.R. SECTION 2510.3-101), (II) IT AGREES THAT IF, AFTER ITS INITIAL ACQUISITION OF THIS NOTE, OR ANY INTEREST THEREIN, AT ANY TIME DURING ANY MONTH 25 PERCENT OR MORE OF THE ASSETS OF SUCH GENERAL ACCOUNT CONSTITUTE "PLAN ASSETS", THEN SUCH INSURANCE COMPANY SHALL, IN A MANNER CONSISTENT WITH THE RESTRICTIONS ON TRANSFER SET FORTH HEREIN, DISPOSE OF ALL OF THESE NOTES AND ANY INTEREST THEREIN, HELD IN ITS GENERAL ACCOUNT BY THE END OF THE NEXT FOLLOWING MONTH, AND (III) IT IS NOT A PERSON WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR ANY PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS OR AN AFFILIATE OF SUCH A PERSON OR (C) IF IT IS A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, ITS PURCHASE AND HOLDING OF SUCH NOTES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION UNDER ANY SUCH SUBSTANTIALLY SIMILAR FEDERAL, STATE, LOCAL OR NON-U.S. LAW AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTE OR INTEREST TO ANY PERSON WHO CANNOT SATISFY THESE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS.

THE FAILURE TO PROVIDE THE ISSUER AND ANY PAYING AGENT, WHENEVER REQUESTED BY THE ISSUER OR THE COLLATERAL MANAGER ON BEHALF OF THE ISSUER, WITH THE APPLICABLE U.S. FEDERAL INCOME TAX CERTIFICATIONS (GENERALLY, AN INTERNAL REVENUE SERVICE FORM W-9 (OR APPLICABLE SUCCESSOR FORM) IN THE CASE OF A PERSON THAT IS A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE OR AN APPROPRIATE INTERNAL REVENUE SERVICE FORM W-8 (OR APPLICABLE SUCCESSOR FORM) IN THE CASE OF A PERSON THAT IS NOT A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE) SHALL RESULT IN THE IMPOSITION OF U.S. FEDERAL BACK-UP WITHHOLDING FROM PAYMENTS TO THE HOLDER IN RESPECT OF THE CLASS E NOTES REPRESENTED HEREBY.

In addition, each Class E Note represented by an interest in a Regulation S Global Note will bear the following additional legend:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS

REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

(m) In the case of a purchaser of an interest in the Class E-2 Notes, the purchaser (a) represents that neither the purchaser nor any of its affiliates will be treated as a U.S. Shareholder as defined in Section 951(b) of the Code, and (b) covenants that (i) such purchaser shall not, at any time that it is a holder of the Class E-2 Notes, permit or cause the legal status of such purchaser or any of its affiliates to change, by reorganization, recapitalization, acquisition, or otherwise, in a manner that will cause such purchaser or any of its affiliates to be treated as a "U.S. Shareholder" as defined in Section 951(b) of the Code (provided that with respect to this covenant in clause (b)(i), the initial holder of a majority of the Class E-2 Notes may hold the Class E-2 Notes for up to 20 days in the aggregate in any twelve month period during which such holder or any of its affiliates is a U.S. Shareholder, whether due to a change of legal status or otherwise), assuming for purposes of this representation and covenant that the Class E Notes represent 100% of the combined voting power of all interests in the Issuer for purposes of that section and (ii) such purchaser will not transfer any interest in the Class E-2 Notes unless it reasonably believes that its transferee can make the representations and warranties described in this Private Placement Memorandum, including without limitation those set forth in this paragraph. The purchaser acknowledges that any purported transfer of the Class E-2 Notes to a transferee that does not comply with the foregoing requirements shall be null and void *ab initio*.

(n) The purchaser understands that, in the event that at any time the Issuer or the Trustee determines that (1) the purchaser or subsequent transferee was in breach, at the time given, of any of the representations or agreements set forth above or (2) a purported transfer of the Class E Notes is made to a transferee that does not comply with the representations and agreements set forth above or with the applicable provisions of the Indenture, then in each instance, the Trustee shall consider the acquisition or purported transfer of the related Class E Notes null and void *ab initio* and require that the related Notes be transferred to a person designated by the Issuer.

Disqualified Transferees

If the Issuer, the Collateral Manager or a Placement Agent notifies a Responsible Officer of the Trustee in writing that (i) a transfer or attempted or purported transfer of any interest in any Note was consummated on the basis of an incorrect form or certification from the transferee or purported transferee, (ii) a transferee failed to deliver to the Trustee any form or certificate required to be delivered pursuant to the Indenture or (iii) the holder of any interest in a Note is in breach of any representation or agreement set forth in any certificate or any deemed representation or agreement of such holder, the Trustee will not register such attempted or purported transfer and if a transfer has been registered, such transfer shall be absolutely null and void *ab initio* and shall vest no rights in the purported transferee (such purported transferee, a "**Disqualified Transferee**") and the last preceding holder of such interest in such Note that was not a Disqualified Transferee shall be restored to all rights as a holder thereof retroactively to the

date of transfer of such Note by such holder. In addition, the Issuer may compel that the interest in the Note referred to in clauses (i), (ii) or (iii) above be transferred to any person designated by the Issuer, the Collateral Manager or the Placement Agent at a price determined by the Issuer, the Collateral Manager or the Placement Agent, as applicable, based upon its estimation of the prevailing price of such interest and each holder, by acceptance of an interest in a Note, authorizes such action.

GENERAL INFORMATION

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

The issuance of the Notes will be authorized by the Board of Directors of the Issuer by resolutions passed on or about August 1, 2007. Since incorporation, the Issuer has not commenced trading or established any accounts, except as disclosed herein or accounts used to hold amounts received with respect to share capital and fees.

Identification Numbers

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

	Regulation S CUSIP Numbers	**Regulation S ISIN Numbers**	**Rule 144A CUSIP Numbers**	**Rule 144A ISIN Numbers**	**Regulation S Common Codes**
Class A-2 Term Notes	G53454 AB3	USG53454AB33	50181C AC3	US50181CAC38	031236967
Class B Notes	G53454 AC1	USG53454AC16	50181C AE9	US50181CAE93	031236983
Class C Notes	G53454 AD9	USG53454AD98	50181C AG4	US50181CAG42	031237017
Class D Notes	G53454 AE7	USG53454AE71	50181C AJ8	US50181CAJ80	031237025
Class E-1 Notes	G53454 AF4	USG53454AF47	N/A	N/A	031306221
Class E-2 Notes	G53454 AG2	USG53454AG20	N/A	N/A	031261457

The Definitive Notes will have the CUSIP Numbers and International Securities Identification Numbers (ISIN) as indicated below:

	Regulation S CUSIP Numbers	**Regulation S ISIN Numbers**	**Accredited Investor CUSIP Numbers**	**Accredited Investor ISIN Numbers**
Class A-1 Revolving Notes	G53454 AA5	USG53454AA59	50181C AB5	US50181CAB54
Class D Notes	N/A	N/A	50181C AK5	US5018CAK53
Class E-1 Notes	N/A	N/A	50181C AM1	US50181CAM10

Notices

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

RATING OF THE NOTES

It is a condition to the issuance of the Notes that the Class A-1 Revolving Notes have an initial investment grade rating of "AAA" or higher by Fitch, that the Class A-2 Term Notes have an initial investment grade rating of "AAA" or higher by Fitch, that the Class B Notes have an initial investment grade rating of "AA" or higher by Fitch, that the Class C Notes have an initial investment grade rating of "A" or higher by Fitch, that the Class D Notes have an initial investment grade rating of "BBB" or higher by Fitch, that the Class E-1 Notes have an initial rating of "BB" or higher by Fitch and that the Class E-2 Notes have an grade rating of "BB" or higher by Fitch. Such ratings will be based upon an evaluation of the ability of the Issuer, with respect to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, to pay on a timely basis interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes at the applicable Note Rates, and the Outstanding Principal Amount of such Classes of Notes on the Scheduled Maturity Date, and with respect to the Class E-1 Notes and the Class E-2 Notes the payment of the Outstanding Principal Amount of such Classes of Notes on the Scheduled Maturity Date as contemplated by the Basic Documents. Such ratings will not address the ability of the Issuer to repay the Outstanding Principal Amount of the Notes at any time prior to the Scheduled Maturity Date or to make any other payments with respect to the Notes (including the payment of any interest on the Class D Notes at the Class D Note Additional Interest Rate). See "*Risk Factors — Rating of the Notes*." Such ratings will not be a recommendation to purchase, hold or sell any Notes nor will it be a comment as to market price, fees or suitability for a particular investor. There can be no assurance that such ratings will remain for any given period of time or will not be lowered or withdrawn entirely, if in the judgment of the rating agency circumstances in the future so warrant.

LEGAL OPINIONS

Certain matters of Cayman Islands law relating to the Shares will be passed upon for the Issuer by Maples and Calder. The enforceability of the Notes, securities laws and certain federal income tax matters will be passed upon for the Issuer by McKee Nelson LLP. Certain legal matters relating to the Collateral Manager will be passed upon for the Collateral Manager by Mayer, Brown, Rowe & Maw LLP.

ERISA CONSIDERATIONS

The advice below was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. The advice is written to support the promotion or marketing of the transaction. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The foregoing language is intended to satisfy the requirements under the new regulations in Section 10.35 of Circular 230.

The United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) that are subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "Risk Factors" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

The U.S. Department of Labor has promulgated regulations, 29 C.F.R. Section 2510.3-101 (the "**Plan Asset Regulations**"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA and Section 4975 of the Code, including the fiduciary responsibility provisions of Title I of ERISA and Section 4975 of the Code. Under the Plan Asset Regulations, if a Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or, as further discussed below, that equity participation in the entity by "benefit plan investors" is not "significant."

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if Notes are acquired with the assets of a Plan with respect to which the Issuer, the Placement Agent, the Trustee, the Collateral Manager, any seller of CDO Assets to the Issuer or any of their respective affiliates, is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption

("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 95-60 (relating to investments by insurance company general accounts), and PTCE 96-23 (relating to transactions effected by in-house asset managers) ("**Investor-Based Exemptions**"). There is also a statutory exemption that may be available under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code to a party in interest that is a service provider to a Plan investing in the Securities for adequate consideration, provided such service provider is not (i) the fiduciary with respect to the Plan's assets used to acquire the Securities or an affiliate of such fiduciary or (ii) an affiliate of the employer sponsoring the Plan (the "**Service Provider Exemption**"). Adequate consideration means fair market value as determined in good faith by the Plan fiduciary pursuant to regulations to be promulgated by the U.S. Department of Labor. There can be no assurance that any of these Investor-Based Exemptions or the Service Provider Exemption or any other administrative or statutory exemption will be available with respect to any particular transaction involving the Notes.

Governmental, church, non-U.S. and certain other plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state, local, federal or non-U.S. laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

Any insurance company proposing to invest assets of its general account in Notes should consider the extent to which such investment would be subject to the requirements of Title I of ERISA and Section 4975 of the Code in light of the U.S. Supreme Court's decision in John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank, 510 U.S. 86 (1993), and the enactment of Section 401(c) of ERISA on August 20, 1996. In particular, such an insurance company should consider (i) the exemptive relief granted by the U.S. Department of Labor for transactions involving insurance company general accounts in PTCE 95-60 and (ii) if such exemptive relief is not available, whether its purchase of Notes will be permissible under the final regulations issued under Section 401(c) of ERISA. The final regulations provide guidance on which assets held by an insurance company constitute "plan assets" for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Code. The regulations do not exempt the assets of insurance company general accounts from treatment as "plan assets" to the extent they support certain participating annuities issued to Plans after December 31, 1998.

The Class A Notes, Class B Notes and Class C Notes

The Plan Asset Regulations define an "equity interest" as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. As noted above in "Income Tax Considerations", it is the opinion of tax counsel to the Issuer that the Class A Notes, the Class B Notes and the Class C Notes will be treated as debt for U.S. income tax purposes. Although there is little guidance on the subject, at the time of their issuance, the Class A Notes, the Class B Notes and the Class C Notes should be treated as indebtedness without substantial equity features for purposes of the Plan Asset Regulations. This determination is based in part upon (i) tax counsel's opinion that the Class A Notes, the Class B Notes and the Class C Notes will be classified as debt for U.S. federal income

tax purposes when issued and (ii) the traditional debt features of the Class A Notes, the Class B Notes and the Class C Notes, including the reasonable expectation of purchasers of the Class A Notes, the Class B Notes and the Class C Notes that they will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. Based upon and subject to the foregoing and other considerations, and subject to the considerations described below, the Class A Notes, the Class B Notes and the Class C Notes may be purchased by a Plan. Nevertheless, without regard to whether the Class A Notes, the Class B Notes and the Class C Notes are considered equity interests, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if the Class A Notes, the Class B Notes and the Class C Notes are acquired with the assets of a Plan with respect to which the Issuer, the Collateral Manager, the Placement Agent or the Trustee or in certain circumstances, any of their respective affiliates, is a party in interest or a disqualified person. The Investor-Based Exemptions or the Service Provider Exemption may be available to cover such prohibited transactions.

By its purchase of any Class A Notes, the Class B Notes and the Class C Notes, each purchaser and subsequent transferee thereof will be deemed to have represented and warranted, at the time of its acquisition and throughout the period it holds such Class A Notes, the Class B Notes and the Class C Notes, either that (a) it is neither a Plan nor any entity whose underlying assets include "plan assets" (within the meaning of the Plan Asset Regulations) by reason of such Plan's investment in the entity, nor a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) its purchase, holding and disposition of a Class A Note, Class B Note or Class C Note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a governmental, church, non-U.S. or other plan, a non-exempt violation under any similar federal, state, local or non-U.S. law. Any purported purchase or transfer of Class A Notes, the Class B Notes and the Class C Notes to a purchaser that does not comply with the requirements of this paragraph shall be null and void ab initio and will vest in the transferee no rights against the Trustee or the Issuer.

The Class D Notes and the Class E Notes

Equity participation in the Issuer of the Notes by "benefit plan investors" is "significant" and will cause the assets of the Issuer to be deemed the assets of an investing Plan (in the absence of another applicable Plan Asset Regulations exception) if 25% or more of the value of any class of equity interest in the Issuer is held by "benefit plan investors." Recently, the Pension Protection Act of 2006 effectively amended, by statute, the definition of "benefit plan investors" in the Plan Asset Regulations. Employee benefit plans that are not subject to the fiduciary responsibility provisions of ERISA and plans that are not subject to Section 4975 of the Code, such as U.S. governmental and church plans or non-U.S. plans, are no longer considered "benefit plan investors." Accordingly, only employee benefit plans subject to the fiduciary responsibility of ERISA or Section 4975 of the Code or an entity whose underlying assets include plan assets by reason of such plan's investment in the entity are considered in determining whether investment by "benefit plan investors" represents 25% or more of any class of equity of the Issuer. Therefore, the term "**Benefit Plan Investor**" includes (a) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to the fiduciary responsibility

provisions of ERISA, (b) a plan as defined in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code, (c) any entity whose underlying assets include "plan assets" by reason of any such employee benefit plan's or plan's investment in the entity or (d) a "benefit plan investor" as such term is otherwise defined in any regulations promulgated by the U.S. Department of Labor under Section 3(42) of ERISA. For purposes of making the 25 percent determination, the value of any equity interests held by a person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the Issuer or any person who provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person ("**Controlling Person**"), is disregarded. Under the Plan Asset Regulation, an "affiliate" of a person includes any person, directly or indirectly through one or more intermediaries, controlling, controlled by or under common control with the person, and "control" with respect to a person other than an individual, means the power to exercise a controlling influence over the management or policies of such person. The Class D Notes and the Class E Notes are considered equity investments for the purposes of applying Title I of ERISA and Section 4975 of the Code. Accordingly, the Class D Notes and the Class E Notes may not be acquired by any Benefit Plan Investor (other than an insurance company general account, less than 25 percent of the assets of which constitute "plan assets" (as defined in the Plan Asset Regulations)). The Class D Notes and the Class E Notes either (i) held as principal by the Collateral Manager, the Placement Agent, the Trustee, any of their respective affiliates, employees of the Collateral Manager, the Placement Agent, the Trustee or any of their affiliates and any charitable foundation of any such employees (other than any of such interests held as a Benefit Plan Investor) or (ii) held by persons that have represented that they are Controlling Persons (to the extent that such a Controlling Person is not a Benefit Plan Investor), will be disregarded and will not be treated as outstanding for purposes of determining compliance with such 25 percent limitation.

In order to effect the above prohibition against the acquisition of Class D Notes and Class E Notes by Benefit Plan Investors other than an insurance company general account, less than 25 percent of the assets of which constitute "plan assets" (as defined in the Plan Asset Regulations), each purchaser and subsequent transferee of the Class D Notes or Class E Notes will represent and warrant or be deemed to have represented and warranted at the time of its purchase and throughout the period that it holds such Class D Note or Class E Note or any interest therein, that: (1) either (a) it is not a Benefit Plan Investor, (b) it is an insurance company acting on behalf of its general account and its purchase and holding of a Class D Note or Class E Note, or an interest therein, are eligible for exemptive relief under PTCE 95-60 or some other applicable exemption and, (i) as of the date it acquires a Class D Note or Class E Note, or any interest therein, less than 25 percent of the assets of such general account constitute "plan assets" (as defined in the Plan Asset Regulations), (ii) it agrees that if, after its initial acquisition of a Class D Note or Class E Note, or any interest therein, at any time during any month, 25 percent or more of the assets of such general account constitute "plan assets", then such insurance company shall, in a manner consistent with the restrictions on transfer set forth herein, dispose of all of the Class D Notes or Class E Notes and any interest therein held in its general account by the end of the next following month, and (iii) it is not a Controlling Person or (c) if it is a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law substantially similar to Title I of ERISA or Section 4975 of the Code, its purchase and holding of such Class D Notes or Class E Notes will not constitute or result in a non-exempt violation under any such substantially similar federal, state, local or non-U.S. law and (2) it will not sell or

otherwise transfer any such note or interest to any person who cannot satisfy these same foregoing representations, warranties and covenants. Any purported transfer of Class D Notes or Class E Notes, or any interest therein, to a purchaser or transferee that does not comply with the requirements specified in the applicable documents will be of no force and effect, shall be null and void ab initio and the Issuer will have the right to direct the purchaser to transfer the Class D Notes or Class E Notes, or any interest therein, as applicable, to a person who meets the foregoing criteria.

No Benefit Plan Investor or Controlling Person will be permitted to purchase the Class D Notes or the Class E Notes unless its purchase, holding and disposition of such Class D Notes or Class E Notes will not cause participation by Benefit Plan Investors to be "significant" within the meaning of the Plan Asset Regulations. The documents related to the issuance of the Class D Notes or Class E Notes permit the Issuer to require that (1) any person acquiring Class D Notes or Class E Notes who is determined to be a Benefit Plan Investor (other an insurance company acting on behalf of its general account that satisfies the requirement described herein) or (2) any person acquiring a Class D Note or Class E Note that is an insurance company acting on behalf of its general account who is determined to be a Controlling Person or (3) any person acquiring a Class D Note or Class E Note that is an insurance company acting on behalf of its general account and if, at any time during any month, 25% or more of the assets of such general account constitute "plan assets" sell such Class D Note or Class E Note (or beneficial interest therein) to a transferee who meets all applicable transfer restrictions and, if such person does not comply with such demand within the time period as specified herein and/or in the applicable documents, the Issuer may sell such person's interest in such Class D Notes or Class E Notes to a transferee who will comply with the applicable transfer restrictions.

There can be no assurance that, despite the transfer restrictions relating to purchases by Benefit Plan Investors and Controlling Persons and the procedures employed by the Trustee to attempt to limit the ownership by Benefit Plan Investors of the Class D Notes and the Class E Notes to less than 25 percent of the value of each such Class of Notes, Benefit Plan Investors will not in actuality own 25 percent or more of any such Class of Notes.

If for any reason the assets of the Issuer are deemed to be "plan assets" of a Plan subject to ERISA or Section 4975 of the Code because one or more Plans is an owner of Class D Notes or Class E Notes (or of a Class A Note, Class B Note or Class C Note characterized as an "equity interest" in the Issuer), certain transactions that the Collateral Manager might enter into, or may have entered into, on behalf of the Issuer in the ordinary course of its business might constitute non-exempt "prohibited transactions" under Section 406 of ERISA or Section 4975 of the Code and might have to be rescinded at significant cost to the Issuer. The Collateral Manager could be deemed to be an ERISA fiduciary and may be prevented from engaging in certain investments (as not being deemed consistent with the ERISA prudent investment standards) or engaging in certain transactions or fee arrangements because they might be deemed to cause non-exempt prohibited transactions. It also is not clear that Section 403(a) of ERISA, which generally requires that all of the assets of an ERISA Plan be held in trust and limits delegation of investment management responsibilities by fiduciaries of ERISA Plans, would be satisfied. In addition, it is unclear whether Section 404(b) of ERISA, which generally provides that no fiduciary may maintain the indicia of ownership of any assets of a plan outside the jurisdiction of

the district courts of the United States, would be satisfied or any of the exceptions to the requirement set forth in 29 C.F.R. Section 2550.404b-1 would be available.

Any fiduciary that proposes to cause a Benefit Plan Investor to purchase any Notes should consult with its counsel to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA or the Code or any substantially similar law.

The sale of any Notes to a Benefit Plan Investor is in no respect a representation by the Issuer, the Placement Agent, the Trustee or the Collateral Manager that such an investment meets all relevant legal requirements with respect to investments by Benefit Plan Investors generally or any particular Benefit Plan Investor, or that such an investment is appropriate for Benefit Plan Investors generally or any particular Benefit Plan Investor.

CERTAIN FEDERAL INCOME 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 for an amount equal to their "issue price" (as defined pursuant to the Code and applicable U.S. Treasury Regulations). 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 address all United States federal income tax consequences applicable to any given investor, nor does it address the United States federal income tax considerations (except, in some circumstances, in very general terms) applicable to all categories of investors, some of which may be subject to special rules, such as Non-U.S. Holders (as such term is defined below), banks, REITs, regulated investment companies, insurance companies, tax-exempt organizations, dealers in securities or currencies, electing large partnerships, natural persons, cash method taxpayers, S corporations, estates and trusts, investors that hold their Senior 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 of equity interests in either a U.S. Holder (as such term is defined below) or a Non-U.S. Holder. In addition, this summary is generally limited to investors that will hold their Senior Notes as "capital assets" within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the Cayman Islands, 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 holder 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 for which a court within the United States is able to exercise primary supervision over its administration and for which one or more United States persons (as defined in the Code) have the authority to control all of its substantial decisions or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust. If a partnership (or other pass-through entity) holds Notes, the tax treatment of a partner (or other equity holder) will generally depend upon the status of the partner (or other equity holder) and upon the activities of the partnership (or other pass-through entity). Partners of partnerships (or equity holders of other pass-thru entities) holding Notes should consult their own tax advisors.

"Non-U.S. Holder" means any holder (or beneficial holder) of a Note that is not a U.S. Holder or an entity treated as a partnership for United States federal income tax purposes.

U.S. Federal Income Tax Consequences to the Issuer

Upon the issuance of the Notes, McKee Nelson LLP, special U.S. tax counsel to the Issuer, will deliver an opinion generally to the effect that although there is no authority directly on point, under current law, and assuming compliance with the Indenture (and certain other documents), and based on certain factual representations made by the Issuer, and assuming the correctness of opinions of counsel that permit the Issuer to take or fail to take actions under the transaction documents based on such opinion, the Issuer will not be engaged in the conduct of a trade or business in the United States. The opinion of special U.S. tax counsel will be based on the Code, the Treasury Regulations (final, temporary and proposed) thereunder, the existing authorities, and special U.S. tax counsel's interpretation thereof, and on certain factual assumptions and representations as to the Issuer's contemplated activities. The Issuer intends to conduct its affairs in accordance with such assumptions and representations, and the remainder of this summary assumes such result. In addition, you should be aware that the opinion referred to above will expressly rely on the Collateral Manager's compliance with certain tax restrictions attached to the Collateral Management Agreement as Exhibit A (the "**Trading Restrictions**"), which are intended to prevent the Issuer from engaging in activities which could give rise to a trade or business within the United States. Although the Collateral Manager has generally undertaken to comply with the Trading Restrictions, the Collateral Manager is permitted to depart from the Trading Restrictions if it obtains an opinion from nationally recognized tax counsel (or advice from McKee Nelson LLP) that the departure will not cause the Issuer to be treated as engaged in a trade or business within the United States. Any such departures would not be covered by the opinion of special U.S. tax counsel referred to above. Furthermore, the Collateral Manager is not obligated to monitor (and conform the Issuer's activities in order to comply with) changes in law, and accordingly, any such changes could adversely affect whether the Issuer is treated as engaged in a United States trade or business. In addition, the opinion of special U.S. tax counsel and any such other advice or opinions are not binding on the IRS or the courts, and no ruling will be sought from the IRS regarding this, or any other, aspect of the U.S. federal income tax treatment of the Issuer. Accordingly, in the absence of authority on point, the U.S. federal income tax treatment of the Issuer is not entirely free from doubt, and there can be no assurance that positions contrary to those stated in the opinion of special U.S. tax counsel or any such other advice or opinions may not be asserted successfully by the IRS. For example, the Treasury and the IRS have been 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 being the credit protection seller under credit default swaps. Thus, it is possible that under future guidance the IRS could treat the Issuer as engaged in a trade or business in the United States by reason of the Issuer's selling credit protection under an Approved Structured Security if the Issuer were deemed to be guaranteeing obligations from within the United States or insuring risks from within the United States. In such case, the Issuer would be prohibited under the CDO Portfolio Criteria from committing to enter into any such Approved Structured Securities after the date such future guidance was issued and became effective.

If the IRS were to characterize successfully the Issuer as engaged in a United States 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 business (as well as the branch profits tax). The levying of such taxes could materially affect the Issuer's financial ability to make payments on the Notes.

Payments on the CDO Assets and Eligible Investments (other than commitment and similar fees and dividends on equity securities acquired in conjunction with the acquisition of CDO Assets) are required not to be subject to withholding tax when the underlying assets are acquired or committed to be acquired by the Issuer unless the obligor is required to make "gross-up" payments that cover the full amount of such withholding tax on an after-tax basis. The Issuer will not, however, make any independent investigation of the circumstances surrounding the issue of the individual assets comprising the CDO Assets and Eligible Investments, and there can be no assurance that income derived by the Issuer will not become subject to withholding tax as a result of a change in tax law or practice or other causes and certain payments received by the Issuer are permitted to be reduced by any applicable withholding taxes. In addition, certain payments on obligations or securities that include a participation in or that support a letter of credit, may be subject to U.S. withholding tax, which could reduce the Issuer's net income from such activities and create a tax liability for the Issuer if amounts are not properly withheld (and the Issuer is not grossed up for such withholding liability). The imposition of unanticipated withholding taxes or tax on the Issuer's net income could materially impair the Issuer's ability to pay principal of and interest on, and other distributions in respect of, the Notes. Further, if the Issuer is a CFC (defined below), the Issuer would incur U.S. withholding tax on interest received from a related United States person. In addition, distributions on equity securities will likely, and distributions on defaulted assets and securities rated below investment grade could possibly, be subject to withholding taxes imposed by the United States.

See also "*—Treatment of U.S. Holders of the Class E Notes—Tax Considerations Relating to the Credit Default Swaps*" herein for a discussion of potential withholding tax on such swaps.

If withholding or deduction of any taxes from payments on the Notes is required by law in any jurisdiction, the Issuer will be under no obligation to make any additional payments to any holder in respect of such withholding or deduction.

Notwithstanding any of the foregoing, any commitment fee, facility fee or similar fee that the Issuer earns may be subject to a 30% withholding tax and any lending fees received under a securities lending agreement may also be subject to withholding tax.

Prospective investors should be aware that, under certain Treasury Regulations, the IRS may disregard the participation of an intermediary in a "conduit" financing arrangement and the conclusions reached in the immediately preceding paragraph assume that such Treasury Regulations do not apply. Those Treasury Regulations could require withholding of U.S. federal income tax from payments to the Issuer of interest on the CDO Assets. In order to prevent "conduit" classification, each initial investor in and subsequent transferee of the Class E Notes in definitive form will be required to represent and warrant and each initial investor in and subsequent transferee of the Class E Notes in global form and the Class D Notes will be deemed to represent and warrant that if it is acquiring, directly or in conjunction with affiliates, more than 33⅓ percent of the aggregate outstanding amount of any such Class of Notes, it is not an Affected Bank. "**Affected Bank**" means a "bank" for purposes of Section 881 of the Code or an entity affiliated with such a bank that neither (x) meets the definition of a U.S. Holder nor (y) is entitled to the benefits of an income tax treaty with the United States under which withholding taxes on interest payments made by obligors resident in the United States to such bank are reduced to 0%.

U.S. Classification and U.S. Tax Treatment of the Senior Notes

The Issuer has agreed and, by its acceptance of a Senior Note, each holder of a Senior Note will be deemed to have agreed, to treat the Senior Notes as debt of the Issuer for United States federal income tax purposes, except as otherwise required by applicable law; provided, that this shall not limit a holder of a Senior Note from making a protective QEF Election (see "*—Treatment of U.S. Holders of the Class E Notes—QEF Election*" below), or filing certain United States tax information returns required of only certain equity owners with respect to various reporting requirements under the Code (as described below under "*—Transfer and Other Reporting Requirements for Class E Notes*"). Upon the issuance of the Senior Notes, special U.S. tax counsel 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, Class B Notes, and the Class C Notes will be characterized as debt of the Issuer for United States federal income tax purposes. No opinion will be given with respect to the Class D Notes (see "*—U.S. Tax Treatment of the Class D Notes*," below). The determination of whether a Senior Note will be treated as debt for United States federal income tax purposes is based on the facts and circumstances existing at the time the Senior Note is issued (which in the case of the Class A-1 Revolving Notes would include the time of each draw on such Senior Notes). However, the opinion of special U.S. tax counsel is based on current law and certain representations and assumptions (which, in the case of the Class A-1 Revolving Notes, includes the assumption that, at the time of any draw, the Senior Notes are rated investment grade and that there have been no changes in the terms of the Senior Notes, the transaction or applicable law). 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 as something other than indebtedness any particular Class or Classes of the Senior Notes. Except as provided under "*—Alternative Characterization of the Senior Notes*" below, the balance of this discussion assumes that the Senior Notes will be characterized as debt of the Issuer for United States federal income tax purposes.

Subject to the following paragraph, U.S. Holders of the Senior Notes generally will include payments of stated interest received on the Senior Notes in income in accordance with their normal method of tax accounting as ordinary interest income.

If a Senior Note is issued with original issue discount, ("**OID**" and each such Notes, an "**OID Senior Note**"), a U.S. Holder of an OID Senior Note will be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Senior Note. Thus, the U.S. Holder of an OID Senior Note will be required to include OID in income as it accrues, regardless of the timing of the receipt of the cash attributable to such income. U.S. Holders, however, would be entitled to claim a loss upon maturity or other disposition of an OID Senior Note with respect to OID accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss.

Although there can be no assurance, as a result of being subject to prepayments, the Class A, Class B and Class C Notes do not appear to literally fit within the definition of "contingent payment debt instruments" ("**CPDIs**") within the meaning of Treasury Regulation Section 1.1275-4. If any such Notes were considered to be CPDIs, they would be taxed as indicated below under "*— Taxation of the Class D Notes.*" Among other consequences, any gain on the sale of such Senior Notes that might otherwise be a capital gain would be ordinary income. Prospective investors should consult their own tax advisors regarding the possible characterization of any such Senior Notes as CPDIs.

The Senior Notes may be debt instruments described in Section 1272(a)(6) of the Code (debt instruments that may be accelerated by reason of the prepayment of other debt obligations securing such debt instruments). Special tax rules principally relating to the accrual of OID, market discount, and bond premium apply to debt instruments described in Section 1272(a)(6). Further, those debt instruments may not be part of an integrated transaction with a related hedge under Treasury Regulation Section 1.1275-6. Prospective investors should consult with their own tax advisors regarding the effects of Section 1272(a)(6).

In general, a U.S. Holder of a Senior Note will have a basis in such Senior Note equal to the cost of such Senior Note increased by any OID and any market discount includible in income by such U.S. Holder and reduced by any amortized premium and any principal payments. Upon a sale, exchange or other disposition of a Senior 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 Senior Note. Such gain or loss generally will be long term capital gain or loss if the U.S. Holder held the Senior 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.

Holders of the Class D Notes should also see the discussion below under "*—U.S. Tax Treatment of the Class D Notes.*"

U.S. Tax Treatment of the Class D Notes

The Issuer has agreed and, by its acceptance of a Class D Note, each Class D Noteholder will be deemed to have agreed, to treat the Class D Notes as debt of the Issuer for United States federal income tax purposes, except as otherwise required by applicable law. In addition, the Issuer has agreed and, by its acceptance of a Class D Note, each Class D Noteholder will be deemed to have agreed, to treat, for U.S. federal income tax purposes, the Class D Notes (in the absence of an administrative determination or judicial ruling to the contrary), as indebtedness that is subject to the regulations governing contingent payment debt instruments (the "**Contingent Debt Regulations**"). However, the Class D Notes will not be subject to the Contingent Debt Regulations if they are subject to section 1272(a)(6) (see "*—U.S. Classification and U.S. Tax Treatment of the Senior Notes*," above), and no rulings have been sought from the IRS or a court with respect to any of the tax consequences discussed below. Accordingly, no assurance can be given that the IRS or a court will agree with the treatment described herein. Any differing treatment could affect the amount, timing and character of income, gain or loss in respect of an investment in the Class D Notes. Holders of the Class D Notes should consult their tax advisors concerning the tax treatment of holding such Notes. However, except as provided under "*—Alternative Characterization of the Senior Notes*" below, the balance of this discussion "*U.S. Tax Treatment of the Class D Notes*" assumes that the Class D Notes will be subject to the Contingent Debt Regulations.

Under the Contingent Debt Regulations, a Class D Noteholder will be required to include original issue discount in income each year, regardless of its usual method of tax accounting, based on the comparable yield of the Class D Notes. Specifically, U.S. Holders of the Class D Notes will be required to accrue an amount of original issue discount for U.S. federal income tax purposes, for each accrual period prior to and including the maturity date of the Class D Notes that equals the product of (i) the adjusted issue price (as defined below) of the Class D Notes as of the beginning of the accrual period and (ii) the comparable yield to maturity (as defined below) of the Class D Notes (as adjusted for the length of the accrual period), divided (iii) by the number of days in the accrual period and multiplied by (iv) the number of days during the accrual period that such holder held the Class D Notes.

The "issue price" of a security will be the first price at which a substantial amount of such security is sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The "adjusted issue price" of a Class D Note will be its issue price increased by any original issue discount previously accrued, determined without regard to any adjustments to original issue discount accruals described below, and decreased by the projected amounts of any payments previously made with respect to the Class D Notes.

In general, the comparable yield is the yield at which the Issuer would issue a fixed rate debt instrument with terms and conditions similar to those of the Class D Notes, including the level of subordination, term, timing of payments, and general market conditions. However, if the Class D Notes are sold in substantial part to persons for whom the inclusion of interest is not expected to have a substantial effect on their U.S. tax liability, the comparable yield will, in certain circumstances, be presumed to be the applicable Federal Rate (based on the overall maturity of the debt instrument). The applicable Federal rate, which is based on the yield to

maturity of outstanding marketable obligations of the United States, would generally be less than the comparable yield.

The projected payment schedule is a schedule of payments on the Class D Notes that includes each noncontingent payment (i.e., the stated interest and principal payments on the Class D Notes) and a projection (in an amount and the timing thereof) for each of the contingent payments (i.e., the First Additional Amount and the Third Additional Amount). The projected payment schedule is adjusted, however, such that all payments (noncontingent and projected contingent payments) will produce the comparable yield.

The comparable yield and projected payment schedule can be obtained by the Class D Noteholders upon request from Bank of America Securities LLC at (704) 386-0183. However, they are not provided for any purpose other than the determination of the original issue discount and adjustments thereof in respect of the Class D Notes and do not constitute a projection or representation regarding the actual amount of the payments on the Class D Notes.

For U.S. federal income tax purposes, a Class D Noteholder must use the comparable yield and the schedule of projected payments in determining its original issue discount accruals (and the adjustments thereto described below) in respect of the Class D Notes, unless it timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

Adjustments to Interest Accruals on the Class D Notes. If the actual contingent payment received differs from the projected payment, adjustments will be made for the difference. If such payment exceeds the projected payment, a Class D Noteholder will incur a positive adjustment equal to the amount of such excess. Such positive adjustment will be treated as additional original issue discount in such taxable year. If, however, such payment is less than the amount of projected payment, a Class D Noteholder will incur a negative adjustment equal to the amount of such deficit. A negative adjustment will:

- first, reduce the amount of original issue discount required to be accrued in the current year;

- second, any negative adjustment that exceeds the amount of original issue discount accrued in the current year will be treated as ordinary loss to the extent of a Class D Noteholder's total prior original issue discount inclusions (other than inclusions subsequently reduced by a negative adjustment) with respect to the Class D Notes; and

- third, any excess negative adjustment will reduce the amount realized on a sale, exchange, or redemption of the Class D Notes.

A net negative adjustment is not subject to the two percent floor limitation imposed on miscellaneous itemized deductions under Section 67 of the Code.

Sale, Exchange, or Redemption. Upon the sale, exchange, or redemption of a Class D Note, a Class D Noteholder will recognize gain or loss equal to the difference between the amount realized and its adjusted tax basis in the Class D Note. Any gain on a Class D Note

generally will be treated as ordinary income. Loss from the disposition of a Class D Note will be treated as ordinary loss to the extent of its prior net original issue discount inclusions with respect to the Class D Notes. Any loss in excess of that amount will be treated as capital loss, which generally will be long-term if the Class D Note was held for more than one year. The deductibility of net capital losses by individuals and corporations are subject to limitations.

Special rules apply in determining the tax basis of a Class D Note. In general, a Class D Noteholder's basis in a Class D Note will be the original purchase price for the Class D Note increased by original issue discount (before taking into account any adjustments) previously accrued on the Class D Notes, and reduced by the amount of any noncontingent payment and the projected amount of any payments previously scheduled to be made (without regard to the actual amount paid). Taxpayers who purchase a Class D Note with a basis different that the Notes adjusted issue price (e.g., a subsequent holder that purchases the Class D Note for more or less than the Class D Note's adjusted issue price) must take such differences into account in determining its income with respect to the Class D Note. Such taxpayers should consult their own tax advisors with respect to such additional adjustments.

Alternative Characterization of the Senior 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 Senior Notes. It is possible, for example, that the IRS may contend that a Class of Senior Notes should be treated as equity interests (or as part debt, part equity) in the Issuer. Such a recharacterization might result in material adverse U.S. federal income tax consequences to U.S. Holders. If U.S. Holders of a Class of the Senior Notes were treated as owning equity interests in the Issuer, the U.S. federal income tax consequences to U.S. Holders of such recharacterized Senior Notes would be as described under "*—Treatment of U.S. Holders of the Class E Notes*" *and* "*—Transfer and Other Reporting Requirements.*" In order to avoid the application of the PFIC rules, each U.S. Holder of a Senior Note should consider making a qualified electing fund election provided in Section 1295 of the Code on a "protective" basis (although such protective election may not be respected by the IRS because current regulations do not specifically authorize that particular election). See "*—Treatment of U.S. Holders of the Class E Notes—Status of the Issuer as a PFIC*" *and* "*—QEF Election.*" Further, U.S. Holders of any Class of Senior Notes that may be recharacterized as equity in the Issuer should consult with their own tax advisors with respect to whether, if they owned equity in the Issuer, they would be required to file information returns in accordance with sections 6038, 6038B, and 6046 of the Code (and, if so, whether they should file such returns on a protective basis).

Information Reporting and Backup Withholding

Under certain circumstances, information reporting requirements will apply to payments on a Senior Note to, and the proceeds of the sale of a Senior Note by, noncorporate U.S. Holders and "backup withholding" will apply to such payments if the U.S. Holder fails to provide an accurate taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Backup withholding is not an additional tax and may be refunded or credited against the holder's federal income tax liability if certain

required information is furnished to the IRS. The information reporting requirements may apply regardless of whether withholding is required.

Non-U.S. Holders of the Senior Notes

Assuming that the Senior Notes are either respected as debt (and the Issuer is not considered to be engaged in a trade or business within the United States) or the Senior Notes are treated as equity in a non-United States corporation, a Non-U.S. Holder of a Senior Note that has no connection with the United States and is not related, directly or indirectly, with the Issuer or the holders of the Issuer's equity or the Class E Notes will not be subject to U.S. income withholding tax on interest payments. The Issuer does not currently intend to require Non-U.S. Holders to make certain tax representations regarding the identity of the beneficial owner of the Senior Notes in order to receive payments free of income withholding tax, but Non-U.S. Holders may be required to provide such certification in order to receive payments free of backup withholding and to not have such payments be subject to information reporting.

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

General. Prospective investors should not rely on this summary and should consult their own tax advisors regarding alternative characterizations of the Class E Notes and the consequences of their acquiring, holding or disposing of the Class E Notes.

Although in the form of debt, the Class E Notes likely will be characterized as equity (which the IRS could contend is voting equity, even though voting equity generally refers to the right to elect directors or managers of a corporation) of the Issuer for U.S. federal income tax purposes. The Issuer has agreed and, by its acceptance of a Class E Note, each Class E Noteholder will be deemed to have agreed, to treat the Class E Notes as equity in the Issuer for United States federal income tax purposes, except as otherwise required by applicable law. However, no rulings have been sought from the IRS or a court with respect to any of the tax consequences discussed below. Accordingly, no assurance can be given that the IRS or a court will agree with the treatment described herein. Any differing treatment could affect the amount, timing and character of income, gain or loss in respect of an investment in the Class E Notes. Holders of the Class E Notes should consult their tax advisors concerning the tax treatment of holding such Notes. If the Class E Notes were treated as debt in the Issuer, they would be subject to the Contingent Debt Regulations discussed above under "— US Tax Treatment of the Class D Notes."

The following discussion assumes that the Class E Notes will be characterized as equity for United States federal income tax consequences.

Distributions on the Class E Notes. Subject to the anti-deferral rules discussed below, any payment on the Class E Notes that is distributed by the Issuer to a U.S. Holder that is subject to United States federal income tax will be taxable to such U.S. Holder as a dividend to the extent of the current and accumulated earnings and profits (determined under United States federal income tax principles) of the Issuer. Such payments will not be eligible for the dividends received deduction allowable to corporations and likely will not be eligible for the preferential income tax rate on qualified dividend income. Distributions in excess of 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 the Class E Notes. Distributions in excess of earnings and profits and basis will be taxable as gain from the sale or exchange of property, as described below.

Sale, Exchange or Other Disposition of the Class E Notes. In general, a U.S. Holder of the Class E Notes will recognize gain or loss upon the sale, exchange or other disposition of the Class E Notes in an amount equal to the difference between the amount realized and such U.S. Holder's adjusted tax basis in the Class E Notes. The character of such gain or loss (as ordinary or capital) generally will depend on whether the U.S. Holder either has made a QEF Election or is subject to the CFC rules (as each is described below). Initially, the tax basis of a U.S. Holder should equal the amount paid for the Class E Notes. Such basis will be (i) increased by amounts taxable to such U.S. Holders by virtue of a QEF Election or by virtue of the CFC rules, and (ii) decreased by actual distributions from the Issuer that are deemed to consist of previously taxed amounts or to represent the return of capital.

Anti-Deferral Rules. Prospective investors should be aware that certain of the procedural rules for "PFICs" and "QEF" elections (as both of such terms are defined below) are complex and should consult their own tax advisors regarding such rules.

The tax consequences discussed above are likely to be materially modified by the anti-deferral rules discussed below. In general, each U.S. Holder's investment in the Issuer will be taxed as an investment in a passive foreign investment company ("**PFIC**") or a controlled foreign corporation ("**CFC**"), depending (in part) upon the percentage of the Issuer's equity that is acquired and held by certain U.S. Holders. If applicable, the rules pertaining to CFCs generally override those pertaining to PFICs (although, in certain circumstances, more than one set of rules may be applicable simultaneously).

Prospective investors should be aware that in determining what percentage of the equity of the Issuer is held by various categories of investors (for example, for purposes of the CFC and information reporting rules described below), the Class E Notes likely will be treated as equity (and likely voting equity) and the Collateral Manager's interest in certain portions of its fee and the Class D Notes (and certain other classes of Senior Notes) may be considered equity (and might be considered voting equity).

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 Class E Notes and, in any given year, may be substantially greater. Such an excess will arise, among other circumstances, when CDO Assets is purchased at a discount, interest or other income on the CDO Assets (which is included in gross income) is used to acquire other items of CDO Assets or to repay principal on the Senior Notes (which does not give rise to a deduction), or any portion of the Senior Notes is not ultimately paid upon maturity and the Issuer recognizes cancellation of indebtedness income without any corresponding offsetting losses (due to tax character differences or otherwise). For example, the portion of the interest proceeds used to pay principal on the Senior Notes will cause such an excess.

Tax Considerations Relating to the Credit Default Swaps. Under current U.S. Federal income tax law, the treatment of credit default swaps in general is unclear. Certain possible tax characterizations of a credit default swap, such as a guarantee contract or an insurance contract, if adopted in the future by the IRS and if applied to any credit default swaps held by the Issuer, could subject payments received by the Issuer under the credit default swaps to U.S. withholding or excise tax or in some circumstances subject the Issuer to excise tax or net income tax. The Issuer may not be entitled to a full gross-up on such tax under the terms of the credit default swaps and any such tax, if imposed, would reduce the Issuer's assets available to make payments on the Notes and may result in the Issuer being unable to purchase certain Approved Structured Securities thereafter pursuant to the CDO Portfolio Criteria based on the imposition of such taxes.

In addition, the U.S Treasury has proposed regulations that, if finalized in their current form, may alter the taxation of certain notional principal contracts with contingent payments, including credit default swaps such as the Approved Structured Securities. Such proposed regulations may change the federal income tax consequences of investing in Class E Notes or any Class of Senior Notes that are recharacterized as equity in the Issuer for federal income tax purposes. However, it is unclear if (and how) these proposed regulations would apply to credit default swaps and whether such regulations will be finalized in their current form or be materially altered prior to being finalized. Prospective investors in the Class E Notes should consult with their own tax advisors regarding the impact these proposed regulations may have on them.

In very general terms, the proposed regulations would provide, if applicable to the Approved Structured Securities among other things, that the final payment made pursuant to a credit default swap would be ordinary (i.e., not capital) in nature and that the Issuer as the seller of credit protection under the credit default swaps must accrue deductions over the term of the credit default swaps based on a reasonable projection of the expected payment on such swaps. Although as indicated above the application of these regulations to the credit default swaps is unclear, if the finalized regulations require a projection of other than zero of expected payments to made on the credit default swaps in the event of a credit event, the Issuer would have to accrue deductions on account of such projections. Such accrued deductions (assuming the holder made a QEF Election or is otherwise subject to the CFC rules) would indirectly flow though to U.S. Holders of equity in the Issuer. Although this would be beneficial for initial holders, it could severely limit the marketability of the Class E Notes and any other Class of Senior Notes recharacterized as equity in the Issuer (as subsequent holders would have to either recapture such deductions (by including them in income at the maturity of the Senior Notes) or lose the ability to deduct a portion of their actual loss in the event of a credit event).

Status of the Issuer as a PFIC. The Issuer will be treated as a "PFIC" for U.S. federal income tax purposes. U.S. Holders in PFICs, other than U.S. Holders that make a timely "qualified electing fund" or "QEF" election described below, are subject to special rules for the taxation of "excess distributions" (which include both certain distributions by a PFIC and any gain recognized on 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" (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 the amount by which distributions for a taxable year exceed 125% of the average distribution in respect of the Class E Notes during the three preceding taxable years (or, if shorter, the investor's holding period for the Class E Notes). As indicated above, any gain recognized upon disposition (or deemed disposition) of the Class E Notes will be treated as an excess distribution and taxed as described above (i.e., not be taxable as capital gain). For this purpose, a U.S. Holder that uses a Class E Note as security for an obligation will be treated as having disposed of the Class E Note.

Special rules apply to certain regulated investment companies that own interests in PFICs and any such investor should consult with its own tax advisors regarding the consequences to it of acquiring Class E Notes.

QEF Election. If a U.S. Holder (including certain U.S. Holders indirectly owning Class E Notes) 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 (unreduced by any prior year losses) of the Issuer's ordinary income and net capital gains (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 (which may include losses (which may be substantial) arising from credit event payments made by the Issuer under any Approved Structured Security), will not be deductible by such U.S. Holder. Rather, any tax benefit from such losses is effectively only available when a U.S. Holder sells or disposes of its shares.

A U.S. Holder that makes the QEF Election may (in general) elect to defer the payment of tax on undistributed income (until such income is distributed or the Class E Note is transferred); provided that it agrees to pay interest on such deferred tax liability. For this purpose, a U.S. Holder that uses a Income Note as security for an obligation will be treated as having disposed of the Class E Note. 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 the Class E Notes will be increased by the amount included in such U.S. Holder's income and decreased by the amount of nontaxable distributions. In general, a U.S. Holder making the QEF Election will recognize, on the disposition of the Class E Notes, capital gain or loss equal to the difference, if any, between the amount realized upon such disposition (including redemption or retirement) and its adjusted tax basis in such Class E Notes. Such gain or loss generally will be long term capital gain or loss if the U.S. Holder held the Income 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.

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 a Class E Note. 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 absolute assurance that such information will always be available or presented.

Where a QEF Election is not timely made by a U.S. Holder for the year in which it acquired its Class E Notes, but is made for a later year, the excess distribution rules can be avoided by making an election to recognize gain from a deemed sale of the Class E Notes at the time when the QEF Election becomes effective.

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).

Status of the Issuer as a CFC. U.S. tax law also contains special provisions dealing with CFCs. A U.S. Holder of Class E Notes (or any other holder of an interest treated as voting equity in a foreign corporation that would meet such definition of U.S. Holder of Class E Notes but for the fact that such holder does not hold Class E Notes) that owns (directly or indirectly) at least 10% of the voting stock of a foreign corporation, is considered a "U.S. Shareholder" (a "**U.S. Shareholder**") with respect to the foreign corporation. 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, the foreign corporation will be classified as a CFC. Complex attribution rules apply for purposes of determining ownership of stock in a foreign corporation such as the Issuer.

The Issuer has created two classes of the Class E Notes in order to help prevent the Issuer from being classified as a CFC. In the case of a purchaser of an interest in the Class E-2 Notes, the purchaser (a) represents that neither the purchaser nor any of its affiliates will be treated as a U.S. Shareholder as defined in Section 951(b) of the Code, and (b) covenants that (i) such purchaser shall not, at any time that it is a holder of the Class E-2 Notes, permit or cause the legal status of such purchaser or any of its affiliates to change, by reorganization, recapitalization, acquisition, or otherwise, in a manner that will cause such purchaser or any of its affiliates to be treated as a "U.S. Shareholder" as defined in Section 951(b) of the Code (although with respect to this covenant, if the initial holder of a majority of the Class E-2 Notes becomes a U.S. Shareholder due to a change of legal status or otherwise, it is permitted to hold (while a U.S. Shareholder) the Class E-2 Notes for a period not to exceed 20 days in the aggregate in any twelve month period), assuming for purposes of this representation and covenant that the Class E Notes represent 100% of the combined voting power of all interests in the Issuer for purposes of that section and (ii) such purchaser will not transfer any interest in the Class E-2 Notes unless it reasonably believes that its transferee can make the representations and warranties described in this Private Placement Memorandum, including without limitation those set forth in this paragraph. The purchaser acknowledges that any purported transfer of the Class E-2 Notes to a transferee that does not comply with the foregoing requirements shall be null and void *ab initio*.

Notwithstanding these restrictions, it is possible (e.g., if the representations or covenants are not complied with) that the Issuer could be treated as a CFC. If the Issuer is classified as a CFC, a U.S. Shareholder (and possibly any U.S. Holder that is a direct or indirect holder of a

grantor trust that is considered to be a U.S. Shareholder) that is a shareholder of the Issuer as of the end of the Issuer's taxable year generally would be subject to current U.S. tax on the income of the Issuer, regardless of cash distributions from the Issuer. Earnings subject to tax generally will not be taxed again when they are distributed to the U.S. Holder. In addition, income that would otherwise be characterized as capital gain and gain on the sale of the CFC's stock by a U.S. Shareholder (during the period that the corporation is a CFC and thereafter for a five-year period) would be classified in whole or in part as dividend 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 U.S. Holder of a Class E Note 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. Shareholder would generally be subject to tax on its share of all of the Issuer's income.

Taxation of Non-U.S. Holders of Class E Notes

Payments on, and gain from the sale, exchange or redemption of, Class E Notes generally should not be subject to United States federal income tax in the hands of a Non-U.S. Holder that has no connection with the United States other than the holding of the Class E Notes. United States information reporting and backup withholding generally will not apply to payments on a Class E Note to, and proceeds from the disposition of a Class E Note by, a Non-U.S. Holder if the holder certifies as to its non-United States status on the appropriate Internal Revenue Service Form W-8. Backup withholding is not an additional tax and may be refunded or credited against the holder's U.S. federal income tax liability if certain required information is furnished to the IRS.

Transfer and Other Reporting Requirements for Class E Notes

In general, U.S. Holders who acquire any Class E Notes (or any Class of Senior Notes that is recharacterized as equity in the Issuer) for cash may be required to file a Form 926 with the IRS and to supply certain additional information to the IRS if (i) such U.S. Holder owns (directly or indirectly) immediately after the transfer, at least 10% by vote or value of the Issuer or (ii) the transfer when aggregated with all related transfers under applicable regulations, exceeds U.S.$100,000. In the event a U.S. Holder that is required to file such form, fails to file such form, the U.S. Holder could be subject to a penalty of up to U.S.$100,000 (computed as 10% of the gross amount paid for the Class E Notes) or more if the failure to file was due to intentional disregard of its obligation.

In addition, a U.S. Holder of Class E Notes that owns (actually or constructively) at least 10% by vote or value of the Issuer (and each officer or director of the Issuer that is a U.S. citizen or resident) may be required to file an information return on IRS Form 5471. A U.S. Holder of Class E Notes generally is required to provide additional information regarding the Issuer annually on IRS Form 5471 if it owns (actually or constructively) more than 50% by vote or value of the Issuer. U.S. Holders should consult their own tax advisors regarding whether they are required to file IRS Form 5471. In the event a U.S. Holder that is required to file such form fails to file such form, the U.S. Holder could be subject to a penalty of $10,000 for each such failure to file (in addition to other consequences).

Prospective investors in the Class E Notes (or any Class of Senior Notes or other interest that could be recharacterized as equity in the Issuer) should consult with their own tax advisors regarding whether they are required to file IRS Form 8886 in respect of this transaction. Such filing would generally be required if such investors file a U.S. federal income tax return or U.S. federal information return and recognized a loss in excess of a specified threshold, and significant penalties would be imposed on taxpayers that fail to properly file the form. Such filing would also generally be required by a U.S. Holder of Class E Notes if the Issuer both participates in certain types of transactions that are treated as "reportable transactions," such as a transaction in which its loss exceeds a specified threshold and (x) either such U.S. Holder owns 10% or more of the Class E Notes and makes a QEF Election with respect to the Issuer or (y) the Issuer is treated as a CFC and such U.S. Holder is a "U.S. Shareholder" (as defined above) of the Issuer. If the Issuer does participate in a reportable transaction, it will make reasonable efforts to make such information available.

Significant penalties would be imposed on taxpayers that fail to properly file the form.

Tax-Exempt Investors

Special considerations apply to pension plans and other investors ("**Tax-Exempt Investors**") that are subject to tax only on their unrelated business taxable income ("**UBTI**"). A Tax-Exempt Investor's income from an investment in the Issuer generally should not be treated as resulting in UBTI under current law, so long as such investor's acquisition of the Notes is not debt-financed, and, with respect to an investment in the Senior Notes, such investor does not (in addition to the investment in the Senior Notes) own more than 50% of the Issuer's equity (which would include the Class E Notes and any Class of Senior Notes (if any) or portion of the Collateral Manager's fee that is recharacterized as equity).

Tax-Exempt Investors should consult their own tax advisors regarding an investment in the Issuer.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the Internal Revenue Service (Circular 230), we and our tax advisors are (or may be) required to inform you 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.

CERTAIN CAYMAN ISLANDS TAX CONSIDERATIONS

In the opinion of Maples and Calder Cayman Islands counsel to the Issuer, there is, at present, no direct taxation in the Cayman Islands. Interest, dividends, income and gains of the Issuer will be received free of all Cayman Islands income tax, and amounts paid by the Issuer on the Notes will not be subject to Cayman Islands income or withholding taxes. The Issuer has applied, and expects to receive, an undertaking from the Governor-in-Cabinet of the Cayman Islands to the effect that, for a period of 20 years from the date of the granting of the undertaking, no law that is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations; and, in addition, that no tax to be levied on profits, income, gains or appreciations or that is in the nature of estate duty or inheritance tax shall be payable by the Issuer on or in respect of the shares, debentures or other obligations of the Issuer or by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

ANNEX A

ADDITIONAL DEFINED TERMS

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

"**Accounts**" means the Principal Collateral Account, the Closing Date Expense Account and the Interest Collateral Account.

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

"**Accumulation Period**" means the period commencing on and including the Closing Date and ending on and including the date that is the 90th day after the Closing Date.

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

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

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

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

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

"**Authorized Controlling Class Representative**" means a person designated in writing to the Collateral Manager and the Trustee by a majority of the Noteholders of the Class A Notes

as having the authority to give approval on behalf of the Controlling Class; provided, that if the initial purchaser of the Class A-1 Revolving Notes no longer holds such Class A-1 Revolving Notes, the Authorized Controlling Class Representative shall be a person designated by a majority of the Noteholders of the Class A-2 Term Notes. Such person will remain the Authorized Controlling Class Representative until (i) such person delivers written resignation to the Trustee or (ii) the Majority Controlling Class Noteholders deliver written designation of another person as Authorized Controlling Class Representative to the Trustee and the Collateral Manager. For the purpose of determining whether the requisite percentage of Noteholders have acted in connection with such designation, Notes owned by the Collateral Manager or any of its Affiliates will be excluded in determining both the Outstanding Principal Amount and the percentage of the Notes held by the Noteholders giving the designation.

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

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

"**Business Day**" means any day other than Saturday, Sunday or any other day on which commercial banks in New York, New York, London, England (for purposes of determining LIBOR) or the city in which the Corporate Trust Office of the Trustee is located are authorized or required by law to be closed.

"**Calculation Agent**" means Banc of America Securities LLC.

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

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

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

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

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

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

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

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

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

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

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

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

"**Closing Cost Amount**" means U.S.$3,678,000.

"**Closing Date**" means August 2, 2007.

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

"**Collateral**" means all money, instruments and other property and rights subject or intended to be subject to the lien of the Indenture including all proceeds thereof.

"**Commercial Bank Loan**" means (i) any loan made by a commercial bank, an investment bank, investment fund, other financial institution, or lender or any floating rate note of any of them, *provided* that any such loan is similar to those typically made to a commercial client or syndicated, sold or participated to a commercial bank or institutional loan investor or other financial institution in the ordinary course of business, or (ii) any Conflict of Interest Loan.

"**Conflict of Interest Loan**" means a loan that satisfies either of the following conditions: (a) with respect to such loan (i) the Collateral Manager owns or manages more than 25% of the principal amount of the entire related loan facility at the time of the relevant vote or acquisition, and (ii) the Collateral Manager owns or manages any debt or equity securities of the obligor thereon other than such loan, or (b) the Collateral Manager or any of its officers or employees serves as an officer, director or similar fiduciary to the obligor of the loan.

"**Credit Agreement**" means, with respect to each CDO Asset, the note, indenture, loan, credit facility agreement or other agreement pursuant to which such CDO Asset is issued or evidenced.

"**Deferred Structuring Fee**" means for each Quarterly Payment Date through and including the Lock-Out Date (and on the Maturity Date, if the Maturity Date occurs on or prior to the Lock-Out Date) an amount calculated for the related Distribution Period equal to the sum of:

(a) the product of (i) the average daily Outstanding Principal Amount of the Class A-1 Revolving Notes for such Distribution Period, (ii) the DSF Rate and (iii) the actual number of days in such Distribution Period divided by 360; and

(b) $190,100 (except, in respect of the first Quarterly Payment Date, such amount shall be $380,200).

If, for any reason, the Maturity Date occurs on or prior to the Lock-Out Date, the Make Whole Amount shall be paid in lieu of the amount described in clause (b) above as part of the Deferred Structuring Fee payable on the Maturity Date. For purposes of the foregoing, "**Make Whole Amount**" means an amount equal to the discounted present values of the amounts that would, in the absence of the occurrence of the Maturity Date, have been paid under clause (b) above on or after such Maturity Date, using as a discount rate 5.4915% per annum.

"**DSF Rate**" means a rate based upon the Weighted Average Spread of the CDO Portfolio as of such date and the following table:

Weighted Average Spread	**DSF Rate**
Less than or equal to 2.50%	0.15%
Greater than 2.50% and less than or equal to 2.60%	0.25%
Greater than 2.60%	0.35%

"**DIP Loan**" means a loan made to a debtor-in-possession pursuant to Section 364 of the United States Bankruptcy Code having the priority allowed by either Section 364(c) or Section 364(d) of the United States Bankruptcy Code; *provided*, that to the extent not prohibited by applicable confidentiality agreements, the Issuer shall provide to the Rating Agency copies of all notices received by the Issuer with respect to any modifications of or amendments to the terms of any DIP Loan.

"**Eligible Investments**" means investments with the following characteristics: (i) direct registered obligations of, and registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by the United States of America or any agency or instrumentality of the United States of America, the obligations of which are expressly backed by the full faith and credit of the United States of America; (ii) publicly traded corporate debt obligations which (A) mature in accordance with their terms not later than the Business Day preceding the Quarterly Payment Date next succeeding the date of such investment, and (B) have ratings satisfying at least two of the following criteria: (1) at least "P-1" by Moody's, (2) at least "A-1" by Standard & Poor's, and (3) at least "F1+" by Fitch, and have no lower rating by Moody's, Standard & Poor's or Fitch, or (iii) any money market fund or similar investment vehicle having at the time of investment therein the highest credit rating assigned by any one of Standard & Poor's, Moody's or Fitch; *provided* that (x) such fund or vehicle is formed outside the United States and is not engaged in a United States trade or business, (y) no income to be received from such fund or vehicle is or will be subject to deduction or withholding for or on account of any withholding or similar tax, and (z) the ownership of an interest in such fund or vehicle will not subject the Issuer to net income tax in any jurisdiction.

"**Fee Accrual Period**" means, with respect to any Quarterly Payment Date, the period from and excluding the eighth Business Day prior to the immediately preceding Quarterly Payment Date to, and including, the eighth Business Day prior to such Quarterly Payment Date; *provided* that the first Fee Accrual Period shall commence on the Closing Date and the last Fee Accrual Period shall end on the Maturity Date.

"**Firm Bid**" means, with respect to a CDO Asset, a *bona fide* bid (expressed as a percentage) for purchase from a nationally recognized dealer active in trading of such CDO Asset (which, for the avoidance of doubt shall include BAS). A Firm Bid shall be "actionable" (i.e. of the type that the Issuer would be able to execute a trade for such CDO Asset at such Firm Bid price) and the Issuer shall dispose of such CDO Asset at such Firm Bid price if directed by either: (i) the Issuer at the direction of the Collateral Manager or (ii) the Noteholders of the Controlling Class.

"**First Additional Release Amount**" means, for each Quarterly Payment Date, the amount specified for such Quarterly Payment Date in the following table:

Quarterly Payment Date	First Additional Release Amount
February 1, 2008	0
May 1, 2008	0
August 1, 2008	0
November 1, 2008	200,000
February 1, 2009	400,000
May 1, 2009	600,000
August 1, 2009	800,000
November 1, 2009	1,000,000
February 1, 2010	1,200,000
May 1, 2010	1,400,000
August 1, 2010	1,600,000
November 1, 2010	1,800,000
February 1, 2011	2,000,000
May 1, 2011	2,200,000
August 1, 2011	2,400,000
November 1, 2011	2,600,000
February 1, 2012	2,800,000
May 1, 2012	3,000,000
August 1, 2012	3,200,000
November 1, 2012	3,400,000
February 1, 2013	3,600,000
May 1, 2013	3,800,000
August 1, 2013	4,000,000
November 1, 2013	4,400,000
February 1, 2014	4,800,000
May 1, 2014	5,200,000
August 1, 2014	5,600,000

Quarterly Payment Date	First Additional Release Amount
November 1, 2014	6,000,000
February 1, 2015	6,400,000
May 1, 2015	6,800,000
August 1, 2015	7,200,000
November 1, 2015	7,600,000
February 1, 2016	8,000,000
May 1, 2016	8,400,000
August 1, 2016	8,800,000
November 1, 2016	9,200,000
February 1, 2017	9,600,000
May 1, 2017	10,000,000
August 1, 2017	10,400,000
November 1, 2017	10,800,000
February 1, 2018	11,200,000
May 1, 2018	11,600,000
August 1, 2018	12,000,000
November 1, 2018	12,400,000
February 1, 2019	12,800,000
May 1, 2019	13,200,000
August 1, 2019	13,600,000

"**Fitch**" means Fitch, Inc., Fitch Ratings Ltd. and their subsidiaries including Derivative Fitch, Inc. and Derivative Fitch Ltd., and any successor or successors thereto.

"**Fitch Asset Specific Recovery Rate**" means with respect to a CDO Asset, the recovery rate specified by Fitch with respect to such CDO Asset in accordance with the table below:

Recovery Ratings	
RR1	95%
RR2	80%
RR3	60%
RR4	40%
RR5	20%
RR6	5%

"**Fitch Rating**" of any CDO Asset, means, as of any date of determination:

(a) (i) in the case of CDO Assets other than Approved Structured Securities, if there is a senior unsecured rating or issuer rating of the obligor in question by Fitch as published in any publicly available news source, such rating and (ii) in the case of CDO Assets that are Approved Structured Securities, if there is a rating of such Approved Structured Security assigned by Fitch, such rating;

(b) if the rating cannot be determined pursuant to clause (a) for CDO Assets other than Approved Structured Securities, but there is a rating by Fitch on another obligation of the same obligor:

(i) if such rating is on a senior secured obligation, one subcategory below such rating; or

(ii) if such rating is on a subordinated obligation, one subcategory above such rating;

(c) if the rating cannot be determined pursuant to clause (a) or (b) and there is a publicly available Moody's Rating or Standard & Poor's Rating, but not both, the Fitch equivalent of the rating that corresponds to the Moody's Rating or Standard & Poor's Rating (see table below), as the case may be;

(d) if the rating cannot be determined pursuant to clause (a) through (c) and there is a publicly available Moody's Rating and Standard & Poor's Rating, the Fitch equivalent of the rating that corresponds to the average of the Moody's Rating and Standard & Poor's Rating (in which case, (i) the Moody's Rating and the Standard & Poor's Rating will be converted to the corresponding Fitch equivalent ratings of the Moody's Rating and the Standard & Poor's Rating, (ii) such Fitch equivalent ratings will be converted to the corresponding Fitch Rating Factor and (iii) the average of the two Fitch Rating Factors will be calculated);

(e) if the rating cannot be determined pursuant to clause (a) through (d) and there is a private rating (not a shadow rating) available from Moody's or Standard & Poor's, but not both, the Fitch equivalent of the rating that corresponds to the private rating from Moody's or Standard & Poor's, as the case may be;

(f) if the rating cannot be determined pursuant to clause (a) through (e) and there is a private rating (not a shadow rating) available from Moody's and Standard & Poor's, the Fitch equivalent of the ratings that corresponds to the average of the private ratings from Moody's and Standard & Poor's (in which case, (i) the private ratings from Moody's and Standard & Poor's will be converted to the corresponding Fitch equivalent ratings of the private ratings from Moody's and Standard & Poor's, (ii) such Fitch equivalent ratings will be converted to the corresponding Fitch Rating Factor and (iii) the average of the two Fitch Rating Factors will be calculated); or

(g) if a rating cannot be determined pursuant to clause (a) through (f) then, at the discretion of the Collateral Manager, the Collateral Manager may apply to Fitch for a Fitch shadow rating, which shall then be the Fitch Rating;

provided, if any above rating is on rating watch negative or negative credit watch, the rating should be adjusted down by one sub-category or if any rating is on rating watch positive or positive credit watch, the rating should be adjusted up by one sub-category; *provided*, *further* that no CDO Asset may have a Fitch Rating determined pursuant to clause (e) or (f) above unless: (i) after giving effect to such determination, no more than 5% of the CDO Assets (based

upon CDO Asset Initial Amounts) have a Fitch Rating determined pursuant to clauses (e) and (f) above and (ii) the Collateral Manager causes the following to be satisfied: (x) the Collateral Manager provides Fitch with a copy of the private ratings letter (the "Private Ratings Letter") of Moody's and/or Standard & Poor's, (y) the Collateral Manager causes Moody's and/or Standard & Poor's to update the Private Ratings Letter at least annually and (z) the Collateral Manager causes each updated Private Ratings Letter to be sent to Fitch.

(Given any inconsistencies in nomenclature with regard to Standard & Poor's and Moody's, the Fitch Rating will always mean the equivalent to a senior implied rating or corporate credit rating).

Fitch	Moody's Rating	Standard & Poor's Rating
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-
BBB+	Baa1	BBB+
BBB	Baa2	BBB
BBB-	Baa3	BBB-
BB+	Ba1	BB+
BB	Ba2	BB
BB-	Ba3	BB-
B+	B-1	B+
B	B-2	B
B-	B3	B-
CCC+	Caa1	CCC+
CCC	Caa2	CCC
CCC-	Caa3	CCC-
CC	Ca	CC
C	C	C

"**Fitch Rating Factor**" means the number corresponding to the Fitch Rating in the table below:

Fitch Rating	Fitch Rating Factor
AAA	0.19
AA+	0.57
AA	0.89
AA-	1.15
A+	1.65
A	1.85
A-	2.44

Fitch Rating	Fitch Rating Factor
BBB+	3.13
BBB	3.74
BBB-	7.26
BB+	10.18
BB	13.53
BB-	18.46
B+	22.84
B	27.67
B-	34.98
CCC+	43.36
CCC	48.52
CCC-	62.76
CC	77
C	95
DDD-D	100

"**Fitch Recovery Rate**" means, with respect to a CDO Asset, (a) the applicable Fitch Asset Specific Recovery Rate; or (b) if the Fitch Asset Specific Recovery Rate cannot be determined pursuant to clause (a), it will be calculated in accordance with the table set forth in the Indenture determined by reference to the CDO Asset's seniority and obligor's country.

"**Fitch Weighted Average Rating Factor**" means, with respect to any date of determination, the number obtained by summing the products obtained by multiplying the principal balance of each CDO Asset (excluding Impaired Assets) held by the Issuer as of such date of determination by its Fitch's Rating Factor, dividing such sum by the aggregate principal balance of all such CDO Assets (excluding Impaired Assets) and rounding the result up to the nearest whole number.

"**Fitch Weighted Average Recovery Rate**" means the rate (expressed as a percentage) determined by summing the products obtained by multiplying the outstanding par amount of each CDO Asset (excluding Impaired Assets) by the applicable Fitch Recovery Rate, and dividing such sum by the aggregate par amount of all CDO Assets (excluding Impaired Assets) and rounding to the nearest 0.1 percent.

"**Formation Documents of the Issuer**" means, with respect to the Issuer, its Memorandum and Articles of Association and Minutes of First Meeting of the Board of Directors.

"**Impaired Asset**" means with respect to a CDO Asset (a) the Obligor defaults in the making of any payment when due under the CDO Asset for a period in excess of the cure period under the Credit Agreement for such CDO Asset, but only until such default has been cured through the payment of all past due amounts; (b) any other event of default (as defined in the applicable Credit Agreement) that has not been waived or cured occurs and is continuing, *provided* that any such event of default with respect to a CDO Asset shall not render it an Impaired Asset if the agent or requisite lenders have initiated action to waive or cure such event

of default and such event of default is waived or cured within thirty (30) days after it first occurs; or (c) the Market Value of such CDO Asset is less than 90% of its CDO Asset Initial Amount or is less than 85% of par.

"**Independent Accountants**" means a firm of independent public accountants appointed by the Issuer, which will initially be Deloitte & Touche USA LLP or their successor.

"**Investment Company Act**" means the Investment Company Act of 1940, as amended, and the regulations promulgated thereunder or any successor thereto.

"**IRS**" means the Internal Revenue Service.

"**Issuer and Administrative Expenses**" means the operating fees and expenses of the Issuer (other than expenses incurred in connection with the organization of the Issuer), in the following order of priority: (i) the fees and expenses of the Trustee and the Collateral Administrator (in any capacity), including those of its counsel, payable in accordance with the Indenture and any indemnity payment to which it is entitled thereunder, (ii) fees and expenses of the Issuer payable in accordance with the Indenture including, among other things, rating agency fees, expenses incurred in connection with investing in or managing CDO Assets and Eligible Investments and the legal, accounting, consultants or other professional fees incurred by, or on behalf of, the Issuer (other than the fees of the Collateral Manager) and all expenses of the Collateral Manager under the provisions of the Collateral Management Agreement relating to reimbursement or payment of expenses, and (iii) fees incurred by accountants in connection with the preparation of the information statements in connection with the election of an investor to be a qualified electing fund.

"**Issuer Expense Cap**" means, with respect to the Issuer and Administrative Expenses, (i) the annual base administration fees of the Trustee specified in the Indenture, being, for each quarterly Distribution Period, 0.0325% times the simple average of the par value of the CDO Assets, Eligible Investments and principal and uninvested proceeds on the first and last day of the related Distribution Period, plus (ii) $175,000 per calendar year.

"**Leverage Factor**" means, on the date of calculation, the aggregate CDO Asset Initial Amount of the CDO Assets divided by the sum of the Outstanding Principal Amount of the Notes (less the Outstanding Principal Amount of the Class A Notes).

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

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

where:
d_i = the ith payment date
d_1 = the initial payment date

P_i = the ith payment of principal to or from the Class D Noteholders and the LIBOR component of the Note Rate applicable to the Class D Notes. For the purposes of this calculation, LIBOR will be deemed to be 5.32688% for the period from the Closing Date to the first Quarterly Payment Date.
N = the total number of payments to or from the Class D Noteholders

"**Lock-Out Date**" means the Quarterly Payment Date occurring in August 1, 2013.

"**Majority Controlling Class Noteholders**" means, at any time of determination, the Noteholders owning more than 50% of the Outstanding Principal Amount of the Controlling Class.

"**Majority Noteholders**" means, at any time of determination, Noteholders owning more than 50% of the Outstanding Principal Amount of the Notes.

"**Market Value**" means, in respect of a CDO Asset, as of any relevant date of determination:

(a) the latest "bid" price for such CDO Asset obtained by the Collateral Manager and determined by Markit Loans, Inc. (or a similar third-party pricing service that the Collateral Manager may, in a commercially reasonable manner, select), or

(b) if, for whatever reason, no price can be so obtained pursuant to clause (a) the latest "bid" price for such CDO Asset as obtained from the Collateral Manager (or its designee) on behalf of the Issuer in a commercially reasonable manner;

provided that if either (i) the determination of Market Value of the CDO Assets pursuant to clause (a) or (b) would result in a Threshold Value Event or in a CDO Asset being characterized as an Impaired Asset, or (ii) the Authorized Controlling Class Representative disputes, for whatever reason, any Market Value determined in accordance with either clause (a) or (b) above, then the Market Value of one or more CDO Assets selected by the Collateral Manager, in its sole and absolute discretion, in the case of clause (i) or by the Authorized Controlling Class Representative, in its sole and absolute discretion, in the case of clause (ii), shall in each case be determined by the Collateral Manager by reference to the highest Firm Bid obtained on the relevant date of determination by the Collateral Manager (or its designee) from one or more independent broker-dealers active in the trading of such CDO Asset, which shall include BAS.

In the event BAS provides the sole Firm Bid with respect to a CDO Asset:

(1) if a Market Value for such CDO Asset equal to such Firm Bid provided by BAS (i) would result in the occurrence of a Threshold Value Event or (ii) would result in the Threshold Value Measurement Amount exceeding the Threshold Value by 1% or less of the aggregate CDO Asset Initial Amount of all of the CDO Assets in the CDO Portfolio as of the date of determination, the Market Value for such CDO Asset will be such Firm Bid provided by BAS;

(2) if a Market Value for such CDO Asset equal to such Firm Bid provided by BAS would result in the Threshold Value Measurement Amount exceeding the Threshold

Value by greater than 1% but less than 2% of the aggregate CDO Asset Initial Amount of all of the CDO Assets in the CDO Portfolio as of the date of determination, the Collateral Manager shall have the right, within five Business Days, to solicit and obtain Firm Bids from one or more independent broker-dealers active in the trading of such CDO Asset, which shall not include BAS, and the Market Value for such CDO Asset will be the greater of the highest Firm Bid obtained in such process or the Firm Bid provided by BAS; or

(3) if a Market Value for such CDO Asset equal to such Firm Bid provided by BAS would result in the Threshold Value Measurement Amount exceeding the Threshold Value by greater than 2% of the aggregate CDO Asset Initial Amount of all of the CDO Assets in the CDO Portfolio as of the date of determination, the Collateral Manager shall have the right, within ten Business Days, to solicit and obtain Firm Bids from one or more independent broker-dealers active in the trading of such CDO Asset, which shall not include BAS, and the Market Value for such CDO Asset will be the greater of the highest Firm Bid obtained in such process or the Firm Bid provided by BAS.

Notwithstanding the foregoing, (x) in the event the Collateral Manager is unable to obtain any such Firm Bid for such CDO Asset, Market Value will be equal to the price as originally determined in accordance with clause (a) or (b) above; and (y) this definition will be subject to change pursuant to any written agreement entered into for such purpose between the Trustee (at the direction of the Authorized Controlling Class Representative), the Issuer and the Collateral Manager, subject to satisfaction of the Rating Agency Condition, but without the consent of any other Noteholders.

"**Maximum Aggregate CDO Asset Initial Amount**" means $400,000,000.

"**Moody's**" means Moody's Investors Service, Inc. and any successor or successors thereto.

"**Moody's Rating**" of any CDO Asset, means, as of any date of determination:

(a) if there is a public long term corporate family rating, such rating;

(b) if the rating cannot be determined pursuant to clause (a), but there is a public rating on a senior unsecured obligation of the same obligor, such rating;

(c) if the rating cannot be determined pursuant to clauses (a) or (b), but there is a public rating on a senior secured obligation of the same obligor, one subcategory below such rating; or

(d) if the rating cannot be determined pursuant to clause (a) through (c), but there is a public rating on a subordinated obligation of the same obligor, one subcategory above such rating;

provided, that for CDO Assets that are Approved Structured Securities, the Moody's Rating shall not be determined as described above, but shall be the rating, if any, assigned by Moody's thereto.

"**Note Amortization Period**" means the period from August 1, 2014 to the Maturity Date.

"**Note Rate**" means the Class A Note Rate, the Class B Note Rate, the Class C Note Rate, the Class D Note Rate or the Class E Note Rate, as applicable.

"**Noteholder**" means, any owner of a Note on the applicable record date as reflected on the books of the Trustee.

"**Obligor**" means, with respect to a CDO Asset, the borrower or obligor with respect thereto.

"**Outstanding Principal Amount**" means the aggregate principal amount of the Notes, or any Class of Notes, outstanding as of the date of the determination, less any payments made in respect of the principal amount of the Notes or Class of Notes, as applicable. With respect to the Class A-1 Revolving Notes, the Outstanding Principal Amount does not include the undrawn portion of any Commitment.

"**Paying Agent**" means the Trustee or any other Person, appointed pursuant to the Indenture that meets the eligibility standards for the Trustee specified in the Indenture and is authorized by the Issuer to make the payments of amounts on the Notes on behalf of the Issuer.

"**Person**" means any legal person, including, without limitation, any individual, corporation, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), limited liability company, unincorporated organization or government or any agency or political subdivision thereof or other entity of similar nature.

"**PIK CDO Asset**" means a CDO Asset that by its terms, permits the payment of a floating rate of interest through the issuance of additional debt securities identical to such CDO Asset or through additions to the principal amount thereof for a specified period in the future or for the remainder of its life.

"**Placement Agency Agreement**" means the placement agency agreement, between the Issuer and the Placement Agent, dated August 2, 2007.

"**Placement Agent**" means Banc of America Securities LLC.

"**Priority of Payments**" means either the Quarterly Priority of Payments or the Maturity Date Priority of Payments, as applicable.

"**Proceeding**" means any suit in equity, action at law or other judicial or administrative proceeding.

"**Qualified Institutional Buyer**" means a "qualified institutional buyer" as defined in Rule 144A.

"**Quarterly Payment Date**" means the 1st day of each February, May, August and November commencing on February 1, 2008 (or, if any such day is not a Business Day, the next succeeding Business Day) to, and including, the Scheduled Maturity Date.

"**Rating Agency**" means Fitch or, if it is unwilling or unable to perform the functions of a Rating Agency described herein, such other nationally recognized statistical rating organization as shall be designated by the Collateral Manager as a Rating Agency.

"**Rating Agency Condition**" means, with respect to any action for which the Rating Agency Condition is required to be satisfied, that the Rating Agency then rating the Classes of Notes has not notified the Issuer in writing that such action will result in a withdrawal of its rating or the reduction of its rating for any Class of Notes to below the rating then in effect from such Rating Agency for such Class of Notes.

"**Ratings Matrix**" means, for purposes of paragraphs 5 and 6 of the CDO Portfolio of the CDO Portfolio Criteria, on and after the Closing Date, the following table will be used by the Collateral Manager to determine which of the cases set forth in such table shall be applicable for purposes of determining the Fitch Weighted Average Rating Factor and the Fitch Weighted Average Recovery Rate for the CDO Portfolio and, if such case differs from the case chosen to apply as of the Closing Date, the Collateral Manager shall so notify the Trustee. After the Closing Date, on three Business Days' written notice to the Trustee and the Rating Agency, the Collateral Manager may elect a different case to apply to the CDO Portfolio, or may interpolate between cases on a straight line basis and round the results to two decimal points, provided that the CDO Portfolio comply with the case to which Collateral Manager desires to change. In no event shall the Collateral Manager be obligated to alter the case chosen on the Closing Date.

Case	Fitch Weighted Average Rating Factor	Fitch Weighted Average Recovery Rate
1	25.00	69.50%
2	25.50	71.50%
3	26.00	72.00%

"**Regulation S**" means Regulation S under the Securities Act.

"**Responsible Officer**" means, with respect to the Trustee (in any of its capacities), any officer within the CDO Business Unit of the Corporate Trust Office of the Trustee (or any successor group of the Trustee), including any vice president, assistant vice president, trust officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Indenture.

"**Reuters Screen**" means the rates for deposits in dollars which appear on the Reuters Screen LIBOR 01 Page (or such other page that may replace that page on such service for the

purpose of displaying comparable rates) as reported by Bloomberg Financial Markets Commodities News as of 11:00 a.m., London time, on the LIBOR Determination Date.

"**Rule 144A**" means Rule 144A promulgated under the Securities Act.

"**Second Additional Release Amount**" means, for each Quarterly Payment Date, the amount specified for such Quarterly Payment Date in the following table:

Quarterly Payment Date	Second Additional Release Amount
February 1, 2008	125,000
May 1, 2008	250,000
August 1, 2008	375,000
November 1, 2008	700,000
February 1, 2009	1,025,000
May 1, 2009	1,350,000
August 1, 2009	1,675,000
November 1, 2009	2,000,000
February 1, 2010	2,325,000
May 1, 2010	2,650,000
August 1, 2010	2,975,000
November 1, 2010	3,300,000
February 1, 2011	3,625,000
May 1, 2011	3,950,000
August 1, 2011	4,275,000
November 1, 2011	4,600,000
February 1, 2012	4,925,000
May 1, 2012	5,250,000
August 1, 2012	5,575,000
November 1, 2012	5,900,000
February 1, 2013	6,225,000
May 1, 2013	6,550,000
August 1, 2013	6,875,000
November 1, 2013	7,400,000
February 1, 2014	7,925,000
May 1, 2014	8,450,000
August 1, 2014	8,975,000
November 1, 2014	9,500,000
February 1, 2015	10,025,000
May 1, 2015	10,550,000
August 1, 2015	11,075,000
November 1, 2015	11,600,000
February 1, 2016	12,125,000
May 1, 2016	12,650,000
August 1, 2016	13,175,000

Quarterly Payment Date	Second Additional Release Amount
November 1, 2016	13,700,000
February 1, 2017	14,225,000
May 1, 2017	14,750,000
August 1, 2017	15,275,000
November 1, 2017	15,800,000
February 1, 2018	16,325,000
May 1, 2018	16,850,000
August 1, 2018	17,375,000
November 1, 2018	17,900,000
February 1, 2019	18,425,000
May 1, 2019	18,950,000
August 1, 2019	19,475,000

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Senior Deferred Structuring Fee**" means (i) for each Quarterly Payment Date through and including the Lock-Out Date (and on the Maturity Date, if the Maturity Date occurs on or prior to the Lock-Out Date), an amount calculated for each Distribution Period, equal to the product of (a) the Maximum Aggregate CDO Asset Initial Amount as of the first day of the related Distribution Period, (b) 0.05% and (c) the actual number of days in such Distribution Period, divided by 360 and (ii) for each Quarterly Payment Date occurring after the Lock-Out Date, zero.

"**Standard & Poor's**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor or successors thereto.

"**Standard & Poor's Rating**" of any CDO Asset, means, as of any date of determination:

(a) if there is a public long term issuer rating, such rating;

(b) if the rating cannot be determined pursuant to clause (a), but there is a public rating on a senior unsecured obligation of the same obligor, such rating;

(c) if the rating cannot be determined pursuant to clauses (a) or (b), but there is a public rating on a senior secured obligation of the same obligor, one subcategory below such rating; or

(d) if the rating cannot be determined pursuant to clause (a) through (c), but there is a public rating on a subordinated obligation of the same obligor, one subcategory above such rating;

provided, that for CDO Assets that are Approved Structured Securities, the Standard & Poor's Rating shall not be determined as described above, but shall be the rating, if any, assigned by Standard & Poor's thereto.

"**Threshold Value Measurement Amount**" means an amount, determined on the Thursday of each week using the most recent available price information of the CDO Assets provided by the Collateral Manager as of the close of business on the immediately preceding Wednesday, equal to: (a) the Market Value of the CDO Assets and Eligible Investments held in the Principal Collateral Account (together with any cash therein), minus (b) the Outstanding Principal Amount of the Class A Notes.

"**Transaction Counsel**" means McKee Nelson, as New York counsel to the Issuer; Maples and Calder, as Cayman Islands counsel to the Issuer; Sonnenschein Nath & Rosenthal LLP, as counsel to the Trustee; and Mayer, Brown, Rowe & Maw LLP, as counsel to the Collateral Manager.

"**Transaction Expenses**" means (a) the fees and expenses of Transaction Counsel, (b) the fees of the Rating Agency, (c) the expenses of the Collateral Manager related to the initial offering of the SERVES and the Warehousing Facilities to the extent not otherwise Transaction Expenses hereunder, (d) the fees and expenses of Banc of America Securities LLC, as structuring and placement agent, (e) the initial fees and expenses of Maples Finance Limited, including those incurred in connection with the organization of the Issuer, (f) the initial acceptance fee of the Trustee, and (g) incidental expenses associated with the issuance of the SERVES, in each case in connection with the transactions contemplated by the Basic Documents.

"**Trustee**" means Deutsche Bank Trust Company Americas, a banking organization organized under the laws of the State of New York and any qualifying successor thereto.

"**Weighted Average Spread**" means with respect to any date of determination, an amount (rounded up to the next 0.001%) equal to the sum of the weighted average spread on all floating rate CDO Assets determined by (i) multiplying the principal amount of each floating rate CDO Asset held by the Issuer as of such date of determination by the then current per annum spread over the applicable LIBOR (determined with respect to CDO Assets that do not bear interest based upon such LIBOR by expressing the current interest rate on all such floating rate securities as a spread above the three-month LIBOR calculated in a manner consistent with the calculation of LIBOR for a three-month interest period), (ii) summing the amounts determined pursuant to clause (i) and (iii) dividing such sum by the aggregate principal amount of all floating rate CDO Assets held by the Issuer as of such date of determination.

INDEX

PRINCIPAL OFFICE OF THE ISSUER

LCM VII Ltd.
c/o Maples Finance Limited
P.O. Box 1093GT
Boundary Hall, Cricket Square
Grand Cayman, Cayman Islands

TRUSTEE, COLLATERAL ADMINISTRATOR, PAYING AGENT AND NOTE REGISTRAR

Deutsche Bank Trust Company Americas
1761 East St. Andrew Place
Santa Ana, California 92705

COLLATERAL MANAGER

Lyon Capital Management LLC
1301 Avenue of the Americas, 13th Floor
New York, New York 10019

LEGAL ADVISORS

To the Issuer
as to United States law
McKee Nelson LLP
One Battery Park Plaza, 34th Floor
New York, New York 10004

To the Issuer
as to Cayman Islands law
Maples and Calder
P.O. Box 309GT
Ugland House
South Church Street, George Town
Grand Cayman, Cayman Islands

To the Placement Agent
McKee Nelson LLP
One Battery Park Plaza, 34th Floor
New York, New York 10004

To the Trustee and Collateral Adminstrator
Sonnenschein Nath & Rosenthal LLP
601 South Figueroa Street
Los Angeles, California 90017

To the Collateral Manager
Mayer, Brown, Rowe & Maw LLP
1675 Broadway
New York, New York 10019