

# CONFIDENTIAL OFFERING CIRCULAR

## White Pine Finance LLC



U.S. \$5,000,000,000

U.S. Medium Term Notes

*Due Nine Months or more from Issue Date*

*Unconditionally and Irrevocably Guaranteed by*

**White Pine Corporation Limited**

White Pine Finance LLC (the "Issuer") may offer from time to time as part of a U.S. Medium Term Note Program (the "Program") its U.S. Medium Term Notes (the "Notes") on a continuing basis and in series (each, a "Series") in an aggregate amount of Notes not to exceed U.S. \$5,000,000,000 at any one time outstanding (or, if any Notes are to be Zero Coupon Notes, Indexed Notes or Dual Currency Notes (as each such term is defined herein), such principal amount as shall result in an aggregate principal amount of Notes at any one time outstanding equivalent to no more than U.S. \$5,000,000,000). The maximum principal amount of Notes outstanding at any time and sold pursuant to this Offering Circular will not exceed the maximum amount referred to above. Such maximum amount may be increased by the Issuer if in the future it determines that it may wish to sell additional Notes. The Notes will have the benefit of an unconditional and irrevocable guarantee (the "Guarantee") from White Pine Corporation Limited, a public company incorporated with limited liability under the laws of Jersey (the "Guarantor"). The Guarantor will offer and sell, from time to time, other medium term notes of the Guarantor (which may have terms substantially similar to the Notes) outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

Certain information with respect to a Series of Notes, including, without limitation, the maturity date, interest rate or interest rate formula, currency or currency unit, issue price, index or indices (if any), redemption provisions (if any), repurchase provisions (if any) and extension or renewal provisions (if any), with respect to each Note will be established at the time of issuance (the "Issue Date") and set forth in a pricing supplement to this Offering Circular (each, a "Pricing Supplement"). Notes will be issued in the form of one or more permanent global notes in definitive, fully registered form without interest coupons (each a "Global Note") in minimum denominations of U.S. \$1,000,000 (or its equivalent) and in integral multiples of U.S. \$1,000 in excess thereof.

THE NOTES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED OR TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THE NOTES OFFERED HEREBY ARE BEING OFFERED AND SOLD ONLY TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) WHO ARE ALSO QUALIFIED PURCHASERS (FOR PURPOSES OF SECTION 3(c)(7) OF THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") AND ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE TRANSFER RESTRICTIONS DESCRIBED UNDER "NOTICE TO INVESTORS".

THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT. EACH PURCHASER OF THE NOTES WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT 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 THAT EACH OF THE PURCHASER AND EACH SUCH ACCOUNT IS A "QUALIFIED PURCHASER" FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT. SEE "NOTICE TO INVESTORS".

The Notes are being offered by the Issuer through the Dealers (as defined herein), each of which has agreed to use reasonable efforts to solicit offers to purchase the Notes. The Issuer also may sell Notes to any Dealer on its own behalf at negotiated discounts for resale to investors and other purchasers at varying prices related to prevailing market prices at the time of resale or, if so agreed, at a fixed public offering price. The Issuer reserves the right to sell Notes through any other distributor. The Issuer also reserves the right to withdraw, cancel or modify the offer made hereby without notice. The Issuer or any Dealer may reject any offer to purchase Notes, in whole or in part. The Notes will not be listed on any securities exchange and there can be no assurance that there will be a secondary market for the Notes. See "OFFERING AND SALE OF THE NOTES".

Notes with a maturity of one year or more are expected at the time of issue to be rated "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") and "Aaa" by Moody's Investors Service, Inc. ("Moody's") and, together with Standard & Poor's, the "Rating Agencies") and Notes with a maturity of less than one year are expected to be rated "A-1+" by Standard & Poor's and "P-1" by Moody's.

**Banc One Capital Markets, Inc.**

**Credit Suisse First Boston**

**JPMorgan**

**Lehman Brothers**

**Merrill Lynch & Co.**

*The date of this Offering Circular is February 13, 2002*

There will be no public market for the Notes. The Dealers may make a market in the Notes, but the Dealers will not have any obligation to do so and any such market-making, if commenced, may be discontinued at any time. If any Dealer makes a market in the Notes, purchasers of the Notes may be limited in the ability to resell the Notes in reliance on Rule 144A under the Securities Act.

Each of the Issuer and the Guarantor, as applicable, has taken all reasonable care to ensure that the information contained in this Offering Circular (the "Offering Circular") and the applicable Pricing Supplement is true and accurate in all material respects and that there are no material facts the omission of which would make misleading any statement herein or therein, whether fact or opinion. Each of the Issuer and the Guarantor accepts responsibility accordingly.

The Notes and the Guarantee have not been and will not be registered under the Securities Act, and the Issuer is not and will not be registered as an "investment company" under the Investment Company Act. The Notes may be sold, delivered or transferred only to purchasers that are (a) qualified institutional buyers as defined in Rule 144A ("QIBs") that are also qualified purchasers for the purposes of Section 3(c)(7) of the Investment Company Act ("QPs"), and (b) purchasing Notes for their own account or for one or more accounts of QIBs that are also QPs with respect to which such persons exercise sole investment discretion.

This Offering Circular is submitted on a confidential basis to a limited number of QIBs who are also QPs for informational use solely in connection with their consideration of the purchase of the Notes. Its use for any other purpose is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents be disclosed to anyone other than the prospective investors to whom it is submitted by the Dealers. The information contained in this Offering Circular was obtained from the Issuer, the Guarantor and other sources identified herein but no assurance can be given as to the accuracy or completeness of such information.

IN MAKING INVESTMENT DECISIONS, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER, THE GUARANTOR AND THE MANAGER (AS DEFINED HEREIN) AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS OFFERING CIRCULAR ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN ATTORNEY, BUSINESS OR TAX ADVISOR AS TO LEGAL, BUSINESS OR TAX MATTERS. THIS OFFERING CIRCULAR CONTAINS SUMMARIES BELIEVED TO BE ACCURATE IN ALL MATERIAL RESPECTS OF CERTAIN TERMS OF CERTAIN DOCUMENTS, BUT REFERENCE IS HEREBY MADE TO THE ACTUAL DOCUMENTS (COPIES OF WHICH WILL BE MADE AVAILABLE TO PROSPECTIVE INVESTORS UPON REQUEST TO THE ISSUER OR THE DEALERS) FOR COMPLETE INFORMATION WITH RESPECT THERETO, AND ALL SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY SUCH REFERENCE.

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ALL INQUIRIES RELATING TO THIS OFFERING CIRCULAR AND THE OFFERING CONTEMPLATED HEREBY SHOULD BE DIRECTED TO THE DEALERS. PROSPECTIVE INVESTORS MAY OBTAIN FROM THE DEALERS ADDITIONAL INFORMATION WHICH THEY MAY REASONABLY REQUIRE IN CONNECTION WITH THE DECISION TO PURCHASE ANY NOTES.

THE NOTES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Each prospective purchaser of the Notes from a Dealer will be furnished with a copy of this Offering Circular as amended or supplemented from time to time. Each offeree is hereby given the opportunity, prior to purchasing any Notes, to ask questions and receive answers concerning the terms and conditions of the offering and to request any additional information that is necessary to evaluate any investment in the Notes. Inquiries concerning such opportunity to ask questions should be directed to the Dealers.

The Issuer agrees to make available upon request of a Noteholder (as defined herein) or a prospective purchaser of the Notes, each of whom is a QIB and a QP, such information required by Rule 144A as is necessary to enable resales of the Notes to be made pursuant to Rule 144A.

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#### IMPORTANT CURRENCY EXCHANGE INFORMATION

Unless otherwise indicated in the applicable Pricing Supplement, purchasers are required to pay for foreign currency Notes (the "Foreign Currency Notes") in the Eligible Issuance Currency (as defined herein) specified in the applicable Pricing Supplement (the "Specified Currency"). At the present time there are limited facilities in the United States for the conversion of U.S. dollars into foreign currencies or currency units and vice versa, and banks do not generally offer non-U.S. dollar checking or savings account facilities in the United States. If requested on or prior to the third Business Day (as defined herein) preceding the date of delivery of the Notes, or by such other day as determined by the Dealer who presented such offer to purchase Notes to the Issuer, such Dealer is prepared to pay for the Notes. Each such conversion will be made by such Dealer on such terms and subject to such conditions, limitations and changes as such Dealer may from time to time establish in accordance with its regular foreign exchange practices. All costs of exchange will be borne by the purchasers of the Foreign Currency Notes.

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#### NOTICE TO NEW HAMPSHIRE RESIDENTS

**FOR NEW HAMPSHIRE RESIDENTS ONLY: 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.**

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EACH PURCHASER OF THE NOTES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE NOTES OR POSSESSES OR DISTRIBUTES THIS OFFERING CIRCULAR AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE NOTES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NEITHER THE ISSUER NOR THE DEALERS SHALL HAVE ANY RESPONSIBILITY THEREFOR.

## NOTICE TO INVESTORS

*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 prospective purchaser of Notes, by accepting delivery of this Offering Circular, will be deemed to have represented and agreed that such person acknowledges that this Offering Circular is personal to it and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A under the Securities Act. Distribution of this Offering Circular, or disclosure of any of its contents to any person other than such offeree and those persons, if any, retained to advise it with respect thereto is unauthorized and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

Each purchaser of Notes offered hereby and any subsequent purchaser or subsequent holder, as the case may be, by its acceptance of a Note, will be deemed to have acknowledged, represented and agreed as follows:

1. The purchaser understands that the Notes and the Guarantee have not been and will not be registered under the Securities Act and no Note or any interest therein may be reoffered, resold, pledged or otherwise transferred except as contemplated by the legend set forth in paragraph 6 below and any transfer thereof will require the submission to the Trustee (as defined herein) of a duly completed Transfer Certificate (a "Transfer Certificate") in the form attached to the Indenture (as defined herein). Any resale or other transfer, or attempted resale or other transfer which is not made in compliance with the restrictions set forth in such legend and Transfer Certificate shall not be recognized by the Issuer, and that authorization of the Issuer or any of Banc One Capital Markets, Inc., Credit Suisse First Boston Corporation, J.P. Morgan Securities Inc., Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (each, a "Dealer" and collectively, the "Dealers") of a purchase, resale or transfer of a Note will be granted only if made to a QIB who is also a QP and, in each case, in accordance with the other requirements applicable to a sale of Notes and only if such purchase, resale or transfer does not result in a violation of the Investment Company Act. Each purchaser acknowledges that no representation is made by the Issuer or the Dealers as to the availability of any exemption under the Securities Act or any state securities laws for resale of the Notes and that such purchaser may be required to bear the financial risks of this investment for an indefinite period of time.

2. The purchaser and any account for which the purchaser is acquiring Notes (i) is a QIB, (ii) is aware that the sale of the Notes to it may be being made in reliance on the exemption from registration provided by Rule 144A under the Securities Act and (iii) is acquiring Notes for its own account or for one or more accounts, each of which is a QIB, and as to each of which the purchaser exercises sole investment discretion. The purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and the purchaser and any account for which it is acting are each able to bear the economic risk of such investment.

3. The purchaser and each account for which the purchaser is acquiring Notes is a QP for purposes of Section 3(c)(7) of the Investment Company Act. The purchaser (or if the purchaser is acquiring Notes for any account, each such account) is acquiring the Notes as principal for its own account for investment and not for sale in connection with any distribution thereof in a principal amount of not less than the minimum authorized denomination for such Note. The purchaser and each such account (a) was not formed for the specific purpose of investing in the Notes (except when each beneficial owner of the purchaser and each such account is a QP for purposes of Section 3(c)(7) of the Investment Company Act), (b) to the extent the purchaser is a private investment company formed before April 30, 1996, the purchaser has received the necessary consent from its beneficial owners, (c) 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, and (d) 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. Further, the purchaser agrees with respect to itself and each such account: (x) that it shall not hold such Notes for the benefit of any other person and shall be the sole beneficial owner thereof for all purposes, (y) that it 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, and (z) that 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 (except when each beneficial owner of the purchaser and each such account is a QP for purposes of Section 3(c)(7) of the Investment Company Act). Each transferor of a Note will provide notice of the transfer restrictions set forth in the Indenture to its transferee. The purchaser

understands and agrees that any purported transfer of the Notes to a purchaser that does not comply with the requirements of this paragraph (3) will be of no force and effect, will be void *ab initio* and the Issuer will have the right to direct the purchaser to transfer its Notes to a person who meets the foregoing criteria.

4. The purchaser understands that the Notes are being sold to it pursuant to an exemption from the registration requirements of the Securities Act. The purchaser is not purchasing the Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act. The purchaser understands that an investment in the Notes involves certain risks, including the risk of loss of its entire investment in the Notes. The purchaser has had access to such financial and other information concerning the Issuer, the Guarantor 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, the Guarantor and the Dealers.

5. In connection with the purchase of the Notes: (i) none of the Issuer, the Guarantor, the Dealers, the Manager (as defined herein), the Trustee or the Security Trustee (as defined herein) is acting as a fiduciary or financial or investment advisor for the purchaser, (ii) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer, the Guarantor, any Dealer, the Manager, the Trustee or the Security Trustee and any representations expressly set forth in a written agreement with such party, (iii) none of the Issuer, the Guarantor, the Dealers, the Manager, the Trustee or the Security Trustee 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) as to an investment in the Notes, (iv) 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 described herein) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer, the Guarantor, any Dealer, the Manager, the Trustee or the Security Trustee, (v) the purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Notes with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks, and (vi) the purchaser is a sophisticated investor.

6. The certificates representing the Notes will bear the following legends:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND THE ISSUER HEREOF HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN "INVESTMENT COMPANY" UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NEITHER THIS NOTE NOR ANY INTEREST HEREIN MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT UPON DELIVERY TO THE TRUSTEE REFERRED TO HEREIN OF A TRANSFER CERTIFICATE AS PROVIDED FOR IN THE WITHIN-MENTIONED INDENTURE AND AS PERMITTED BY THE FOLLOWING SENTENCES. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT (A) IN A PRINCIPAL AMOUNT OF NOT LESS THAN THE MINIMUM DENOMINATION SPECIFIED HEREIN TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (A "QUALIFIED INSTITUTIONAL BUYER") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, TO A PURCHASER THAT (1) IS A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT (A "QUALIFIED PURCHASER"), (2) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (3) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (4) 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 (5) 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, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE.

EACH TRANSFEROR OF THIS NOTE (1) WILL BE REQUIRED TO DELIVER A TRANSFER CERTIFICATE OR (2) WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS. 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 GUARANTOR, ANY DEALER, THE MANAGER, THE TRUSTEE OR THE SECURITY TRUSTEE. IN ADDITION TO THE FOREGOING, THE ISSUER MAINTAINS THE RIGHT TO RESELL ANY NOTES PREVIOUSLY TRANSFERRED TO NON-PERMITTED HOLDERS (AS DEFINED IN THE INDENTURE) IN ACCORDANCE WITH AND SUBJECT TO THE TERMS OF THE FISCAL AGENCY AGREEMENT REFERRED TO HEREIN.

BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS NOT AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) SUBJECT TO TITLE I OF ERISA, OR OTHER PLAN THAT IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH PLAN, OR A GOVERNMENTAL PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR IF THE PURCHASER IS AN ENTITY DESCRIBED ABOVE IN THIS CLAUSE, THAT THE ACQUISITION OR HOLDING OF SUCH NOTE OR AN INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, OR IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE OR LOCAL LAWS.

7. The purchaser understands that neither the Issuer nor the Guarantor has been, or will be, registered as an "investment company" under the Investment Company Act.

8. The Transferee is not an "employee benefit plan" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, or other plan that is subject to Section 4975 of the Code, any entity whose underlying assets include the assets of any such plan, or a governmental plan which is subject to any federal, state or local law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or if the Transferee is an entity described above in this clause, that the acquisition or holding of a Note or an interest therein will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, or in the case of a governmental plan, any substantially similar federal, state or local laws.

9. The holders of the Notes are bound by, and are deemed to have notice of, all provisions contained in the Indenture and the Security Agreement (each as defined herein).

10. The purchaser understands that the Dealers may make a market in the Notes and that, to the extent the Dealers acquire any Note or any beneficial interest in any Note, the Noteholders or beneficial owners of such Note may not be able to rely upon Rule 144A under the Securities Act for resales.

11. The purchaser acknowledges that the Issuer, the Guarantor, the Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or agreements deemed to have been made by it by its purchase of Notes are no longer accurate, it shall promptly notify the Issuer, the Guarantor and the Dealers. If the purchaser is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

#### AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with the sale of the Notes, the Issuer and the Guarantor under the Indenture referred to under "DESCRIPTION OF THE NOTES" will be required

to furnish upon request of a holder of a Note to such holder and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer and the Guarantor are not reporting companies under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), or are exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

## SUMMARY OF THE PROGRAM

The following summary is qualified by, and must be read together with, the additional detailed information appearing elsewhere in this Offering Circular, in the documents referred to in "ADDITIONAL INFORMATION" which are available for inspection and in the relevant Pricing Supplement.

- Issuer:** White Pine Finance LLC (the "Issuer") is a limited liability company organized in the State of Delaware. The Issuer is a wholly-owned, and the sole, subsidiary of the Guarantor, formed for the limited purpose of financing business activities of the Guarantor through the issuance of medium term notes and commercial paper in the United States.
- Guarantor:** Each of the Notes will be guaranteed pursuant to the Guarantee (as defined herein) by White Pine Corporation Limited, a public company incorporated with limited liability under the laws of Jersey, having registered number 78446 and with its registered office at 47 Esplanade, St. Helier, Jersey JE1 0BD, Channel Islands, British Isles.
- Guarantee:** The Notes will have the benefit of an unconditional and irrevocable Guarantee (the "Guarantee"), pursuant to which the Guarantor fully, unconditionally and irrevocably guarantees to the holders of the Notes (the "Noteholders") the due and punctual payment of the principal of (and premium, if any, on) and interest, if any, on the Notes, and the due and punctual payment of any sinking fund payment (or analogous obligation), if any, provided for with respect to the Notes, when and as the same shall become due and payable, whether at stated maturity, upon redemption, upon declaration of acceleration or otherwise, according to the terms thereof and of the Indenture as if such payment were made by the Issuer and the full and final payment of all amounts due under the Notes and the Indenture, and further agrees to perform fully and in a timely manner all of the Guarantor's obligations under the Notes and the Indenture.
- Use of Proceeds:** The net proceeds from the sale of the Notes, as well as the net proceeds from the sale of other securities issued from time to time by the Issuer, will be paid to the Guarantor and will be used by the Guarantor for investment in a portfolio of investments satisfying the characteristics described below in "DESCRIPTION OF THE ASSET PORTFOLIO".
- Investment Arrangements:** The Notes are being issued pursuant to an investment arrangement the principal purpose of which is the securitisation or repackaging of assets.
- Manager:** Bank One Capital Markets Limited (in such capacity, together with its successors and assigns, the "Manager") is responsible for (i) identifying and executing investment, cash management and funding and hedging strategies, including strategies required to cure or prevent a breach or threatened breach of any of the Constraints (as defined herein); (ii) providing or procuring the provision of liquidity; and (iii) proposing and executing issuances of Notes, subject to approval of the Board of Directors of each of the Issuer and the Guarantor, and other obligations, in each case on behalf of the Issuer and the Guarantor. In addition, the Manager will be responsible for providing or procuring the rating agency reporting, asset custody and settlements, documentation, accounting and audit, systems and general administration. The role of the Manager is more fully described below under "THE MANAGER" and "THE MANAGEMENT AGREEMENT".
- Dealers:** Banc One Capital Markets, Inc.  
Credit Suisse First Boston Corporation  
J.P. Morgan Securities Inc.  
Lehman Brothers Inc.  
Merrill Lynch, Pierce, Fenner & Smith Incorporated.
- Trustee:** Bank One, NA.



**Security Trustee:** The Law Debenture Trust Corporation p.l.c.

**Share Trustee:** SFM Offshore Limited (the "Share Trustee") has its registered office at 47 Esplanade, St. Helier, Jersey JE1 0BD, Channel Islands. The entire issued share capital of the Guarantor is held by or on behalf of the Share Trustee on trust for charitable purposes.

**Notes:** Up to U.S. \$5,000,000,000 (or its equivalent) of U.S. Medium Term Notes (the "Notes") outstanding at any one time (the "Program Amount") to be issued in Eligible Issuance Currencies (as defined herein) in Series (each, a "Series") as shall be specified in the applicable Pricing Supplement at varying prices above, below or at 100% of their principal amount. The Program Amount may be increased from time to time in accordance with the terms of the Program Agreement (as defined herein). The Notes may be denominated in any Eligible Issuance Currency (as defined herein) subject to compliance with any applicable regulations and may be index-linked to any index selected by the Issuer. The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Indexed Notes, Dual Currency Notes (each as defined herein) or any other type of Note which is agreed to between the Issuer and the relevant Dealer or purchaser. The specific terms of each Series issued will be set out in the applicable Pricing Supplement for such Series.

**Distribution:** Notes may be distributed by way of private placement, on a syndicated or non-syndicated basis.

**Eligible Issuance Currencies:** "Eligible Issuance Currencies" shall include, without limitation, Australian Dollars, Canadian Dollars, Danish Kroner, Euro, Japanese Yen, New Zealand Dollars, Norwegian Kroner, Pounds Sterling, Swedish Kronor, Swiss Francs and U.S. Dollars.

**Specified Currencies:** The "Specified Currency" or "Specified Currencies" for any Series of Notes shall be such Eligible Issuance Currency or Currencies as may be agreed between the Issuer and the relevant Dealer or purchaser, as indicated in the applicable Pricing Supplement for such Series.

**Maturities:** Each Note will have a maturity of nine months or more from the Issue Date of such Note as indicated in the applicable Pricing Supplement for such Note. Each Note will be redeemed in accordance with its terms on the Maturity Date specified on the face of such Note and in the applicable Pricing Supplement for such Series.

**Issue Price:** The issue price of each Series of Notes will be specified in the applicable Pricing Supplement.

**Form of Notes:** Notes offered and sold to U.S. persons that are QIBs that are also QPs shall be issued initially in the form of one or more permanent global notes in definitive, fully registered form without interest coupons (each a "Global Note"), which shall (in the case of Notes denominated in U.S. Dollars) be deposited on behalf of the subscribers for such Notes represented thereby with the Trustee, as custodian for and registered in the name of The Depository Trust Company (the "Depository"), duly executed by the Issuer and authenticated by the Trustee.

Notes denominated in an Eligible Issuance Currency other than U.S. Dollars will not be held through the Depository but shall be held in the manner and form specified in the applicable Pricing Supplement for such Notes.

Each Note will be allocated a Series number.

**Denominations of Notes:** The Notes will be issued in minimum denominations of U.S. \$1,000,000 (or its equivalent) and in integral multiples of U.S. \$1,000 in excess thereof.

**Method of Payment:** Payments of principal and interest with respect to any Notes will be made to the registered holder of such Notes.

**Fixed Rate Notes:**

Notes bearing interest at a fixed rate ("Fixed Rate Notes") will bear interest calculated (i) on the basis of the number of days in the period from and including the most recent Interest Payment Date (as defined herein) (or if none, the Issue Date (as defined herein)) to but excluding the relevant payment date (such number of days being calculated on the basis of twelve 30-day months) or (ii) on such other calculation basis as may be specified in the applicable Pricing Supplement.

Fixed rate interest will be payable on Fixed Rate Notes on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) or purchaser(s) (as indicated in the applicable Pricing Supplement) and on redemption.

**Floating Rate Notes:**

Each Note bearing interest at a floating rate (each, a "Floating Rate Note") will bear interest on an interest rate basis designated in the applicable Pricing Supplement for such Note. Such basis may be determined by reference to one or more of the following rates (each as defined herein): the Commercial Paper Rate, in which case such Note will be a Commercial Paper Rate Note, the Prime Rate, in which case such Note will be a Prime Rate Note, the CD Rate, in which case such Note will be a CD Rate Note, the Federal Funds Rate, in which case such Note will be a Federal Funds Rate Note, LIBOR, in which case such Note will be a LIBOR Note, the Treasury Rate, in which case such Note will be a Treasury Rate Note, the CMT Rate, in which case such Note will be a CMT Rate Note or such other interest rate basis or formula as may be agreed to between the Issuer and the relevant Dealer or purchaser and as set forth in the applicable Pricing Supplement. The interest rate formula and the spread and/or spread multiplier, if any, and the maximum or minimum interest rate limitation, if any, applicable to each Floating Rate Note will also be specified in the applicable Pricing Supplement. In addition, such Pricing Supplement will define or particularize the following terms, if applicable: Calculation Agent, Calculation Method, the Initial Interest Rate, Interest Payment Dates, Record Dates, index maturity and Interest Reset Dates, with respect to such Floating Rate Note.

Interest payments for a Floating Rate Note shall be the amount of interest accrued to but excluding the Interest Payment Date (unless otherwise specified in the applicable Pricing Supplement) and will be calculated by multiplying the face amount of such Floating Rate Note by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day in such period. The interest factor (expressed as a decimal rounded upward, if necessary, as described below) for each such day is computed by dividing the interest rate (expressed as a decimal rounded upward, if necessary, as described below) applicable to such date by 360 (or, in the case of Treasury Rate Notes or CMT Rate Notes, by the actual number of days in the year) (unless otherwise specified in the applicable Pricing Supplement).

**Dual Currency Notes:**

Payments (whether with respect to principal or interest and whether at maturity or otherwise) with respect to Notes in respect of which principal and/or interest is/are or may be payable in one or more Eligible Issuance Currencies in which they are denominated ("Dual Currency Notes") will be made in such Eligible Issuance Currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) or purchaser(s) may agree (as indicated in the applicable Pricing Supplement).

**Indexed Notes:**

Payments (whether with respect to principal or interest and whether at maturity or otherwise) with respect to Notes in respect of which principal and/or interest is/are calculated by reference to an index and/or a formula ("Indexed Notes") will be calculated by reference to such index and/or formula as the Issuer and the relevant Dealer(s) or purchaser(s) may agree (as indicated in the applicable Pricing Supplement).

**Zero Coupon Notes:**

Notes issued on a non-interest bearing basis ("Zero Coupon Notes") may be offered and sold at a discount to their principal amount and will not bear interest

other than in relation to interest due after the date that the Zero Coupon Notes mature.

**Principal:**

Each Note will be redeemed in accordance with its terms on the maturity date (the "Maturity Date") specified on the face of such Note and in the applicable Pricing Supplement.

*Optional Call by Issuer.* The Issuer may redeem any Series of Notes in whole or in part at the call option price and on the call option date, if any, specified on the face of the Notes and in the applicable Pricing Supplement. If redemption is of part of the Notes only, the Notes to be redeemed will be selected either by lot or on a *pro rata* basis in accordance with the procedures set forth in the Indenture to be entered into on or about February 13, 2002 among the Issuer, the Guarantor and the Trustee (as amended or modified and in effect from time to time, the "Indenture").

*Optional Put by Noteholder.* Notes in a Series may be put to the Issuer by a Noteholder if so specified on the face of such Notes of such Series and in the applicable Pricing Supplement. A Noteholder may elect to have Notes in any Series redeemed in whole or in part at the put option price and on the put option date(s) specified on the face of the Notes of such Series and in the applicable Pricing Supplement. The steps the Noteholder must take to exercise the put option are described under "DESCRIPTION OF THE NOTES—Redemption and Purchase of Notes".

*Optional Redemption Following Certain Tax Events.* All (but not some only) of the Notes may also be redeemed at the option of the Issuer upon not less than 30 nor more than 60 days' notice if the Guarantor becomes obliged to "gross up" interest payments pursuant to the Guarantee and such obligation cannot be avoided by the Issuer taking such reasonable measures as it considers are available to it.

The Notes are not subject to redemption, at the option of Noteholders, following the occurrence of an Enforcement Event or Automatic Enforcement Event.

The above is a summary of the redemption provisions relating to the Notes. Reference should be made to "DESCRIPTION OF THE NOTES" for a complete description of the circumstances in which the Issuer is able and/or required to redeem or purchase Notes.

**Security:**

The Notes, together with certain other obligations of the Issuer and the Guarantor, will be secured generally by a security interest in all the assets of the Guarantor, including without limitation, the Investment Securities (as defined herein), the Derivative Contracts (as defined herein), each Transaction Document (as defined herein) and all proceeds thereof (together, the "Collateral"). The Issuer or the Guarantor may also issue senior debt instruments outside the Program. These debt instruments would also benefit from the security of the Collateral. The Guarantor has granted to the Security Trustee a perfected security interest in the Collateral that is of first priority and free of any adverse claim, in each case, other than Special Liens (as defined herein). The security interest has been granted and the rights and obligations of the parties thereto are governed by the Security Agreement (as amended or modified and in effect from time to time, the "Security Agreement"), dated as of February 1, 2002, between the Guarantor and the Security Trustee.

**Defeasance Event:**

Upon the Security Trustee receiving notice or becoming aware of the occurrence of a Defeasance Event (as defined herein) (the "Defeasance Date"), the Manager will be required to follow certain guidelines, as specified in the Security Agreement (the "Defeasance Guidelines"), with respect to the management of the Collateral in order to arrange for the payment in full of the Secured Obligations (as defined herein) as they fall due, if and to the extent that the Manager determines that following the Defeasance Guidelines will be in the interest of the Secured Parties (as defined herein), unless and until such time as

an Enforcement Event (as defined herein) or Automatic Enforcement Event (as defined herein) has occurred and is continuing (in which case the Enforcement Guidelines (as defined herein) referred to below will be followed by the Security Trustee instead of the Manager following the Defeasance Guidelines) or a Mandatory Acceleration Event (as defined herein) has occurred and is continuing.

**Realization of Collateral  
Following an Enforcement  
Event or Automatic  
Enforcement Event:**

Upon receiving notice or becoming aware of the occurrence of an Enforcement Event or Automatic Enforcement Event (the "Enforcement Date"), the Security Trustee or a receiver appointed by the Security Trustee (the "Receiver") shall enforce the Security Agreement and shall retain, liquidate and replace the Collateral and shall make distributions to the Secured Parties (as defined herein) in accordance with the terms of the Security Agreement. See "SECURITY—Enforcement Events" and "SECURITY—Realization of Collateral following an Enforcement Event or Automatic Enforcement Event".

The Security Trustee or the Receiver, as the case may be, shall follow certain guidelines, as specified in the Security Agreement (the "Enforcement Guidelines"), upon the occurrence of an Enforcement Date if and to the extent that the Security Trustee or the Receiver, as the case may be, determines that following the Enforcement Guidelines will be in the interest of the Secured Parties.

**Redemption Provision  
Upon the  
Occurrence of a  
Defeasance Event:**

In addition, upon the occurrence of a Defeasance Event, the Guarantor shall, if directed by the Manager, cause a redemption in whole (but not in part) of the outstanding Senior Obligations at par if the aggregate principal amount of Senior Obligations then outstanding is 10% or less of the aggregate principal amount of all Senior Obligations outstanding at the time of the occurrence of such Defeasance Event; provided, however, that no such Senior Obligation shall be redeemed unless there will be sufficient funds available to redeem in full all of the then outstanding Senior Obligations.

**Mandatory Acceleration  
Event:**

Upon the Security Trustee receiving notice or becoming aware of the occurrence of a Mandatory Acceleration Event (as defined herein) (the "Mandatory Acceleration Date"), all Senior Obligations (as defined herein) shall become immediately due and payable and the Guarantor will, at the direction of the Security Trustee or the Receiver, as the case may be, cause a redemption in whole (but not in part) of the outstanding Senior Obligations at par net of any unamortized original issue discount or premium; *provided, however*, that if there are insufficient funds available to redeem in full all of the then outstanding Senior Obligations, all such Senior Obligations shall become immediately due and payable, the Security Trustee shall collect and cause the collection of the proceeds of the Collateral and all amounts received on the Collateral shall be applied towards payment of the Senior Obligations on a *pro rata* basis based on the amounts which have become so due and payable, in accordance with the priority of payments set forth in the Security Agreement. See "SECURITY—Mandatory Acceleration Event".

**Liquidation and Sale  
of Collateral:**

Following the earlier to occur of (a) the Enforcement Date and the provision of a notice of exclusive control to the Securities Intermediary pursuant to the Custody and Account Control Agreement (as defined herein) and in accordance with the Enforcement Guidelines and (b) the Mandatory Acceleration Date, the Security Trustee shall have the exclusive right to exercise any and all rights with respect to the Collateral and, in connection therewith, may elect to preserve all

or any part of the Collateral and/or collect and convert into cash all or any part of the Collateral.

The Secured Obligations and all other obligations of the Guarantor and/or the Issuer are limited recourse obligations of the Guarantor and/or the Issuer, as applicable. Secured Parties will have recourse only to the Collateral. Once all Collateral and any recoveries that may from time to time be received in respect thereof have been applied in accordance with the Security Agreement any remaining unpaid amounts due in respect of the obligations of the Guarantor and the Issuer and shall be deemed extinguished, and no recourse may be had in connection therewith against the Guarantor and the Issuer. Each holder of a Secured Obligation, by its acceptance thereof, will be deemed to have agreed to these provisions.

**Non-petition:**

The Trustee has covenanted and agreed, and the Noteholders shall be deemed to have covenanted and agreed, that, prior to the date which is one year and one day after all Secured Obligations have been satisfied, they will not at any time institute against the Issuer or the Guarantor, or join in any institution against the Issuer or the Guarantor of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any applicable bankruptcy or similar law in connection with any obligations with respect to the Notes.

**Adequacy of Collateral:**

Neither the Issuer nor the Guarantor is expected to have any assets or business other than the Investment Securities and Derivative Contracts constituting the Collateral as a source of payment for the Senior Obligations or as a source of proceeds following a Defeasance Date, Enforcement Date or Mandatory Acceleration Date. The Security Agreement requires the Investment Securities and counterparties to the Derivative Contracts to meet certain rating requirements and the Guarantor to meet certain gearing requirements designed to ensure that the value of the Collateral will be sufficient for payment of the Senior Obligations in full. There can be no assurance, however, that the value of the Collateral will be sufficient for such purpose.

**Jersey Taxation:**

All payments of principal, interest and redemption premium will be made free and clear of Jersey withholding tax unless such withholding is required by law. In that event, subject to certain exceptions, the Guarantor will pay such additional amount as may be necessary in order that the net amounts receivable by the holders of Notes after such withholding or deduction shall equal the amounts of principal and interest which would have been receivable by holders of Notes in the absence of such withholding or deduction.

**United States Tax Considerations:**

See "CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES".

**Other Securities:**

The Guarantor will also issue, from time to time and outside the United States, medium term notes (the "Euro MTNs") and commercial paper (the "Euro CP") and will also issue, from time to time and within and/or outside the United States, subordinated notes (the "Capital Notes") in such form and classes as will hereafter be determined based on prevailing market conditions. The ranking of the Capital Notes is described in the priority of payments set out in the Security Agreement. See "SECURITY" herein.

The Issuer will issue (in addition to the Notes), from time to time and in the United States, commercial paper (the "U.S. CP"), which U.S. CP will also be unconditionally and irrevocably guaranteed by the Guarantor pursuant to a guarantee (together with the Guarantee, the "Guarantees"). The net proceeds from the issuance of the U.S. CP (in addition to the proceeds of the Notes) will

be paid to the Guarantor. The Notes, the U.S. CP, the Euro MTNs and the Euro CP are collectively referred to herein as the "Senior Notes".

Each of the Notes, the U.S. CP, the Euro MTNs, Euro CP and the Capital Notes will be issued under individual programs and will be secured by all of the assets of the Guarantor.

The Guarantor may amend the Security Agreement to provide for the issuance of additional series of notes that will be subordinate in right of payment to the Notes and the other Senior Notes and senior in right of payment to the Capital Notes; provided that the Requisite Amount (as defined herein) of holders of the Capital Notes shall have consented to such issuance in writing and the Rating Agency Condition shall have been satisfied.

**Governing Law:**

The Notes, the Security Agreement (save as provided below) and the Indenture are governed by, and shall be construed in accordance with, New York law, without regard to its conflict of law provisions. The Corporate Services Agreement (as defined herein) and certain provisions of the Security Agreement relating to Jersey law security are governed by, and construed in accordance with, the laws of Jersey, Channel Islands.

**Selling Restrictions:**

The Dealers may offer and sell Notes on a private placement basis in reliance upon Section 4(2) of the Securities Act, only to QIBs who are also QPs. There are other restrictions on the sale of the Notes and the distribution of offering materials. See "OFFERING AND SALE OF THE NOTES".

**Ratings:**

Notes with a maturity of one year or more are expected on issue to be rated "AAA" by Standard & Poor's and "Aaa" by Moody's. This rating addresses the ability of this Issuer to make payment of interest and ultimate payment of principal due to Noteholders. Notes with a maturity of less than one year are expected to be rated "A-1 +" by Standard & Poor's and "P-1" by Moody's. This rating addresses the ability of the Issuer to make timely payments due to Noteholders. A credit rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time.

## THE OFFERING

The Issuer may from time to time offer (each an "Issue Date") Notes for sale to QIBs who are also QPs in an aggregate principal amount of Notes not to exceed U.S. \$5,000,000,000 at any one time outstanding (or, if any Notes are to be Zero Coupon Notes, Indexed Notes or Dual Currency Notes (as each such term is defined below), such principal amount as shall result in an aggregate principal amount of Notes at any one time outstanding equivalent to no more than U.S. \$5,000,000,000). The maximum principal amount of Notes outstanding at any time and sold pursuant to this Offering Circular will not exceed the maximum amount referred to above. Such maximum amount may be increased by the Issuer if in the future it determines that it may wish to sell additional Notes. See "DESCRIPTION OF THE NOTES" and "OFFERING AND SALE OF THE NOTES". Each Note will mature nine months or more from its Issue Date, as selected by the initial purchaser and agreed to by the Issuer, and as indicated in the applicable Pricing Supplement. Notes may be subject to optional redemption or obligate the Issuer to redeem or purchase Notes pursuant to sinking fund or analogous provisions or at the option of the Noteholders, in each case, as indicated in the applicable Pricing Supplement.

The Notes are being sold hereby in reliance upon Section 4(2) of the Securities Act and will be eligible for resale only to QIBs who are also QPs. Any purchaser of the Notes must be able to bear the economic risk of its investment in the Notes for an indefinite period of time because the Notes and the Guarantee have not been and will not be registered under the Securities Act or any state securities laws and may not be reoffered, resold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Each purchaser of Notes will, among other things, be deemed to (i) represent that it is purchasing the Notes for its own account or for one or more accounts with respect to which it exercises sole investment discretion, that each purchaser and each such account is a "qualified purchaser" for purposes of Section 3(c)(7) of the Investment Company Act and that it and any such account is "qualified institutional buyer" as defined in Rule 144A and (ii) acknowledge that the Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except as described herein under "NOTICE TO INVESTORS".

THE ISSUER HAS NOT BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT. EACH PURCHASER OF THE NOTES WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT 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 THAT EACH OF THE PURCHASER AND EACH SUCH ACCOUNT IS A "QUALIFIED PURCHASER" FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT. SEE "NOTICE TO INVESTORS".

The interest rate or interest rate formula, currency or currency unit, issue price, applicable index or indices, if any, stated maturity and redemption provisions, if any, for each Note will be established by the Issuer at the date of issuance of such Note and will be indicated in such Note and in the applicable Pricing Supplement. Unless otherwise indicated in the Note and in the applicable Pricing Supplement, each Note will bear interest at either (a) a fixed rate (a "Fixed Rate Note") or (b) a variable rate determined by reference to an interest rate formula (a "Floating Rate Note"), which may be adjusted by adding or subtracting the spread or multiplying by the spread multiplier. Unless otherwise indicated in the Note and the applicable Pricing Supplement, the interest rate formula will be the Commercial Paper Rate, the CD Rate, the Prime Rate, the Federal Funds Rate, LIBOR, the CMT Rate or the Treasury Rate as agreed by the Issuer and the initial purchaser. Interest rates, or interest rate formulae, are subject to change by the Issuer from time to time, but no such change will affect any Note already issued or as to which an offer to purchase has been accepted by the Issuer. Notes may be issued as Zero Coupon Notes, Dual Currency Notes or Indexed Notes or any appropriate combination thereof. See "DESCRIPTION OF THE NOTES—Form, Denomination and Title".

Notes will be issued as fully registered global certificates in definitive form. See "DESCRIPTION OF THE NOTES—Form, Denomination and Title". The Notes are required to bear legends as described under "NOTICE TO INVESTORS".

"Dual Currency Note" means a Note in respect of which payments of principal and/or interest are made or to be made in such different currencies, and at rates of exchange calculated upon such basis or bases, as the Issuer and the relevant Dealer or Dealers may agree (as indicated in the applicable Pricing Supplement).

"Indexed Interest Note" means a Note in respect of which the amount payable in respect of interest is calculated by reference to an index and/or a formula as the Issuer and the relevant Dealer or Dealers may agree (as indicated in the applicable Pricing Supplement).

"Indexed Note" means a Note in respect of which the amount payable in respect of principal is calculated by reference to an index and/or a formula as the Issuer and the relevant Dealer or Dealers may agree (as indicated in the applicable Pricing Supplement).

"Zero Coupon Note" means a Note on which no interest is payable.

## DESCRIPTION OF THE NOTES

### General

The Notes are to be issued by White Pine Finance LLC (the "Issuer"). Notes will be issued in Series on the terms and conditions set out in the Notes and in the applicable Pricing Supplement and subject to and with the benefit of an Indenture dated as of February 13, 2002, (the "Indenture") among the Issuer, the Guarantor and Bank One, NA, as indenture trustee (the "Trustee") and a Security Agreement dated as of February 1, 2002, between the Guarantor and The Law Debenture Trust Corporation p.l.c., as security trustee (the "Security Trustee") (as amended or modified and in effect from time to time, the "Security Agreement"). Copies of the Indenture and the Security Agreement are available for inspection at the principal offices for the time being of the Trustee and the Security Trustee. The holders of the Notes (the "Noteholders") are bound by, and are deemed to have notice of, all provisions contained in the Indenture and the Security Agreement. Terms defined in or referred to in the Indenture and the Security Agreement or used in the applicable Pricing Supplement shall have the same meaning in this Offering Circular; *provided* that in the event of inconsistency between the Indenture, the Security Agreement or the terms and conditions of the Notes and the applicable Pricing Supplement, the applicable Pricing Supplement shall prevail.

Each of the Notes will have the benefit of an unconditional and irrevocable Guarantee from the Guarantor as to the due and punctual payment of principal and any premium and interest on such Note, and any sinking fund payment (or analogous obligation) payable by the Issuer when such amounts become due and payable, whether at stated maturity, by declaration of acceleration, call for redemption or otherwise. The Guarantee will be secured as described below under "SECURITY".

As used herein, "Series" means each original issue of Notes together with any further issues expressed to form a single series with the original issue, and the terms of which (except for the Original Issue Date and/or the Issue Price, as indicated in the applicable Pricing Supplement) are otherwise identical and the expressions "Notes of the relevant Series" and related expressions shall be construed accordingly. As used herein, "Business Day" means a day which is both (a) a day on which commercial banks and foreign exchange markets settle payments in New York City and London and any other place specified in the applicable Pricing Supplement as an additional business center, and (b) either (i) in relation to payments to be made in an Eligible Issuance Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments in the Principal Financial Center of the country of the relevant Eligible Issuance Currency (if other than London and/or New York City) or (ii) in relation to any sum payable in Euro, a TARGET Business Day. As used herein, the term "TARGET Business Day" means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

"Principal Financial Center" means the following city or cities for the related Eligible Issuance Currencies:

ELIGIBLE ISSUANCE CURRENCY	PRINCIPAL FINANCIAL CENTER(S)
Australian Dollars	Melbourne
Canadian Dollars	Toronto
Danish Kroner	Copenhagen
Japanese Yen	Tokyo
New Zealand Dollars	Wellington and Auckland
Norwegian Kroner	Oslo
Swedish Kronor	Stockholm
Swiss Francs	Zurich
U.S. Dollars	New York

For other Eligible Issuance Currencies other than Euro (for which the Principal Financial Center shall be London), the capital cities of the countries issuing such Eligible Issuance Currencies.

### Form, Denomination and Title

The Notes of each Series shall be issued initially in the form of one or more permanent global notes in definitive, fully registered form without interest coupons (each, a "Global Note") and serially numbered in the Specified Currency and the Specified Denominations. Notes will be issued as Fixed Rate Notes, Floating Rate Notes or any appropriate combination thereof, depending upon the Interest/Payment Basis specified in the applicable Pricing Supplement. It may also be an Indexed Note (where payment with respect to principal is linked to an Index and/or Formula) if the applicable Pricing Supplement so indicates and the appropriate provisions of the terms and conditions of the Notes will apply accordingly.

Title to the Notes will pass upon registration of transfer in the register maintained by or on behalf of the Issuer for such purpose. The Issuer, the Guarantor and the Trustee may deem and treat the person in whose name any Note is



registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.

### Settlement

Unless otherwise agreed upon by the Issuer and the purchaser and set forth in the applicable Pricing Supplement, settlement for the purchase of Notes will be in immediately available funds three (3) Business Days following the trade date.

### Security

Upon the Security Trustee receiving notice or becoming aware of the occurrence of a Defeasance Event, the Manager will be required, if and to the extent that the Manager determines that following the Defeasance Guidelines will be in the interest of the Secured Parties, to follow the Defeasance Guidelines, with respect to the management of the Collateral in order to arrange for the payment in full of the Secured Obligations as they fall due, unless and until such time as an Enforcement Event or Automatic Enforcement Event has occurred and is continuing (in which case the Enforcement Guidelines referred to below will be followed by the Security Trustee instead of the Manager following the Defeasance Guidelines) or a Mandatory Acceleration Event has occurred and is continuing.

Unless there is a conflict between the interests of the holders of Senior Obligations and the interests of the holders of Junior Obligations, the Manager will endeavor to act in the interest of all Secured Parties although such required actions may be adverse to the interests of certain Secured Parties. To the extent that there is a conflict between the interests of the holders of Senior Obligations and the interests of the holders of Junior Obligations (as defined herein), the Manager will act first in the interest of the holders of Senior Obligations.

Upon receiving notice or becoming aware of the occurrence of an Enforcement Date, the Security Trustee or the Receiver appointed by the Security Trustee shall enforce the Security Agreement and shall retain, liquidate and replace the Collateral and shall make distributions to the Secured Parties in accordance with the terms of the Security Agreement. The Security Trustee or the Receiver, as the case may be, shall follow the Enforcement Guidelines upon the occurrence of an Enforcement Date if and to the extent that the Security Trustee or the Receiver, as the case may be, determines that following the Enforcement Guidelines will be in the interest of the Secured Parties. To the extent that there is a conflict between the interests of the holders of Senior Obligations and the interests of the holders of Junior Obligations, the Security Trustee or the Receiver, as the case may be, will act first in the interest of the holders of Senior Obligations.

Upon the Security Trustee receiving notice or becoming aware of the occurrence of a Mandatory Acceleration Event, all Senior Obligations shall become immediately due and payable and the Issuer will, at the direction of the Security Trustee or the Receiver, as the case may be, cause a redemption in whole (but not in part) of the outstanding Senior Obligations at par net of any unamortized original issue discount or premium; *provided, however*, that if there are insufficient funds available to redeem in full all of the then outstanding Senior Obligations, all such Senior Obligations shall become immediately due and payable, the Security Trustee shall collect and cause the collection of the proceeds of the Collateral and all amounts received on the Collateral shall be applied towards payment of the Senior Obligations on a *pro rata* basis based on the amounts which have become so due and payable, in accordance with the priority of payments set forth in the Security Agreement.

### Covenants

Under the Security Agreement the Guarantor agrees, among other things, to:

- (i) maintain, and cause any of its subsidiaries to maintain, its valid existence and at all times continue, and cause any of its subsidiaries to continue, to be duly organized under the laws of the jurisdiction of its incorporation or organization and duly qualified and duly authorized under the laws of each jurisdiction in which its business or activities requires such qualification;
- (ii) maintain, and cause any of its subsidiaries to maintain, all licenses, permits, charters and registrations that are material to the conduct of its business;
- (iii) not have any subsidiaries other than the Issuer and other subsidiaries that may be established from time to time to further the business purposes of the Guarantor and that satisfy the Rating Agency Condition;
- (iv) not make any payment to holders of its outstanding securities, including any payment that results in a purchase of outstanding securities, except in accordance with the priority of payments set forth in the Security Agreement and will not make any payment by way of dividend or other distribution to holders of ordinary shares of the Guarantor in excess of \$1,000 per annum;

- (v) deliver to the Security Trustee (a) during the first full year from the date of the Security Agreement, on a quarterly basis and (b) semi-annually thereafter, reports of independent certified public accountants as to compliance by the Guarantor with the investment guidelines and testing procedures as specified in the Security Agreement for the applicable reporting period;
- (vi) not consent to any amendment to the Security Agreement unless, among other things, the Rating Agency Condition shall have been satisfied;
- (vii) not appoint a replacement Manager pursuant to the Management Agreement unless the Rating Agency Condition shall be satisfied with respect thereto;
- (ix) not, and to not permit any subsidiary of the Guarantor to, create, incur, assume or suffer to exist any debt, whether current or funded, or any other liability for the payment of money, except as permitted by the Security Agreement; and
- (x) not, and to not permit any subsidiary of the Guarantor to, create, incur, assume or suffer to exist any lien upon or with respect to any of its properties, whether now or hereafter acquired, other than liens permitted pursuant to the Transaction Documents and Special Liens created prior to the earliest to occur of (a) the Defeasance Date, (b) the Enforcement Date and (c) the Mandatory Acceleration Date.

"Business Day" shall mean any day other than a Saturday or Sunday on which banks in New York City and London and such other places, if any, specified in the applicable Pricing Supplement, are open for conduct of substantially all of their commercial banking activities.

"Rating Agency Condition" means, with respect to any action, that each of the Rating Agencies (as defined herein) shall have notified the Security Trustee in writing that such action will not result in a reduction or withdrawal of the then applicable rating of any Senior Notes, Capital Notes or any other debt instrument issued and sold by the Issuer or the Guarantor with respect to which such security has identified ratings.

## Interest

### *Fixed Rate Notes*

Fixed rate interest will be payable on a Fixed Rate Note at the fixed rate of interest per annum designated on such Note in the applicable Pricing Supplement relating to such Note. Interest payments for Fixed Rate Notes shall be the amount of interest accrued to, but excluding, the relevant Interest Payment Date (unless otherwise indicated in the applicable Pricing Supplement). The "Interest Payment Dates" and the "Record Dates" with respect to Fixed Rate Notes shall be as indicated in the applicable Pricing Supplement. Such interest will be calculated (unless otherwise indicated in the applicable Pricing Supplement) (i) on the basis of the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Issue Date) to but excluding the relevant payment date (such number of days being calculated on the basis of twelve 30-day months) or (ii) on such other calculation basis as may be specified in the applicable Pricing Supplement.

If any Interest Payment Date or the stated maturity of a Fixed Rate Note falls on a day that is not a Business Day, the related payment of principal, premium, if any, or interest will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or stated maturity, as the case may be.

### *Floating Rate Notes*

Floating rate interest will be payable on a Floating Rate Note on the interest rate basis designated in the applicable Pricing Supplement for such Floating Rate Note. Such interest rate basis may be determined by reference to one or more of the following: the Commercial Paper Rate, in which case such Note will be a "Commercial Paper Rate Note", the Prime Rate, in which case such Note will be a "Prime Rate Note", the CD Rate, in which case such Note will be a "CD Rate Note", the Federal Funds Rate, in which case such Note will be a "Federal Funds Rate Note", LIBOR, in which case such Note will be a "LIBOR Note", the Treasury Rate, in which case such Note will be a "Treasury Rate Note", the CMT Rate, in which case such Note will be a "CMT Rate Note" or such other interest rate basis or formula as may be agreed to between the Issuer and the purchaser and set forth in the applicable Pricing Supplement. The interest rate formula and the spread and/or spread multiplier, if any, and the maximum or minimum interest rate limitation, if any, applicable to such Note will also be specified in the applicable Pricing Supplement for each Floating Rate Note. In addition, such Pricing Supplement will define or particularize the following terms, if applicable: Calculation Agent, Calculation Method, Initial Interest Rate, Interest Payment Dates, Record Dates, Index Maturity and Interest Reset Dates with respect to each Floating Rate Note.

The interest rate in effect with respect to a Floating Rate Note on each day that is not an Interest Reset Date will be the interest rate determined as of the Interest Determination Date pertaining to the immediately preceding Interest Reset Date, and the interest rate in effect on any day that is an Interest Reset Date will be the interest rate determined as of the Interest Determination Date pertaining to such Interest Reset Date, subject in either case to any maximum or minimum interest rate limitation referred to below; *provided, however*, that the interest rate in effect with respect to a Floating Rate Note for the period from the Issue Date to, but excluding, the first Interest Reset Date will be the Initial Interest Rate. Subject to applicable provisions of law and except as described herein, the rate of interest on a Floating Rate Note on any Interest Reset Date with respect thereto will be the rate of interest determined as described below. The rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semi-annually or annually (each, an "Interest Reset Date"), as specified in the applicable Pricing Supplement.

"Initial Interest Rate" shall mean the interest rate in effect with respect to a Note that is a Floating Rate Note for the period from the Issue Date to, but excluding, the first Interest Reset Date that is specified in such Note and the applicable Pricing Supplement.

The Interest Determination Date pertaining to an Interest Reset Date for a Commercial Paper Rate Note (the "Commercial Paper Interest Determination Date"), a Prime Rate Note (the "Prime Rate Interest Determination Date"), a CD Rate Note (the "CD Rate Interest Determination Date"), a Federal Funds Rate Note (the "Federal Funds Interest Determination Date") or a CMT Rate Note (the "CMT Rate Interest Determination Date") will be the second Business Day preceding the Interest Reset Date with respect to such Note (unless otherwise provided in the applicable Pricing Supplement). The Interest Determination Date pertaining to an Interest Reset Date for a LIBOR Note (the "LIBOR Interest Determination Date") will be the second London Business Day preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date for a Treasury Rate Note (the "Treasury Rate Determination Date") will be the day of the week in which such Interest Reset Date falls on which Treasury bills would normally be auctioned. Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as a result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Rate Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week. If an auction date shall fall on any Interest Reset Date, then such Interest Reset Date shall instead be the first Business Day following such auction date.

A Floating Rate Note may have either or both of the following: (a) a maximum numerical interest rate limitation, or ceiling, on the rate of interest which may accrue during any interest period; and (b) a minimum numerical interest rate limitation, or floor, on the rate of interest which may accrue during any interest period. In addition to any maximum interest rate which may be applicable to any Floating Rate Note, the interest rate on such Floating Rate Note will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application. Under present New York law the maximum rate of interest is 25% per annum on a simple interest basis. The limit does not apply to Notes in which U.S. \$2,500,000 or more has been invested.

The "Interest Payment Date" will be (except as provided below or unless otherwise provided in the applicable Pricing Supplement) (i) in the case of Floating Rate Notes which reset daily, weekly or monthly, the third Wednesday of each month; (ii) in the case of Floating Rate Notes which reset quarterly, the third Wednesday of March, June, September and December of each year; (iii) in the case of Floating Rate Notes which reset semi-annually, the third Wednesday of the two months of each year specified in the applicable Pricing Supplement; and (iv) in the case of Floating Rate Notes which reset annually, the third Wednesday of the month specified in the applicable Pricing Supplement and, in each case, at maturity (unless otherwise provided in the applicable Pricing Supplement). If, pursuant to the preceding sentence, an Interest Payment Date with respect to any Floating Rate Note (other than an Interest Payment Date at maturity) would otherwise be a day that is not a Business Day with respect to such Note, such Interest Payment Date shall be the next succeeding Business Day with respect to such Note, except that if such Note is a LIBOR Note and the next succeeding Business Day falls in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding Business Day. The "Record Date" with respect to Floating Rate Notes shall be the date 15 calendar days prior to each Interest Payment Date, whether or not such date shall be a Business Day or on such other Record Dates specified in the Note and the Pricing Supplement. If the maturity of a Floating Rate Note falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest will be made on the next succeeding Business Day, and no interest on such payment shall accrue from and after such maturity.

Interest payments for a Floating Rate Note shall be the amount of interest accrued to but excluding the Interest Payment Date (unless otherwise provided in the applicable Pricing Supplement). The interest accrued for any period is calculated by multiplying the face amount of such Floating Rate Note by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day in such period. Unless otherwise specified in the Note and the applicable Pricing Supplement, the interest factor (expressed as a decimal rounded upward, if necessary, as described below) for each such day is computed by dividing the interest rate (expressed as a

decimal rounded upward, if necessary, as described below) applicable to such date by 360 (or, in the case of Treasury Rate Notes or CMT Rate Notes, by the actual number of days in the year).

All percentages resulting from any calculation of Floating Rate Notes will be rounded, if necessary, to the nearest one-hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655) and 9.876544% (or .09876544) being rounded to 9.87654% (or .0987654)), and all dollar amounts used in or resulting from such calculation on Floating Rate Notes will be rounded to the nearest cent or, in the case of Foreign Currency Notes, the nearest unit (with one-half cent or five one-thousandths of a unit being rounded upwards) (unless otherwise specified in the applicable Pricing Supplement).

Upon the request of the holder of any Floating Rate Note, the Trustee, or any calculation agent specified on the face of such Note, or any successor thereto (the "Calculation Agent") will provide the interest rate then in effect, and, if determined, the interest rate which will become effective as a result of a determination made on the most recent Interest Determination Date with respect to such Floating Rate Note.

#### *Commercial Paper Rate Notes*

Each Commercial Paper Rate Note will bear interest at the interest rate (calculated with reference to the Commercial Paper Rate and the spread and/or spread multiplier, if any) specified on the face of such Commercial Paper Rate Note and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "Commercial Paper Rate" means, with respect to any Commercial Paper Interest Determination Date, the Money Market Yield (calculated as described below) of the rate on such date for commercial paper having the Index Maturity specified in the applicable Pricing Supplement as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519) Selected Interest Rates" or any successor publication of the Board of Governors of the Federal Reserve System (H.15(519)) under the heading "Commercial Paper—Non Financial", or any successor publication or heading. In the event that such rate is not published prior to 3:00 p.m., New York City time, on the Calculation Date pertaining to such Commercial Paper Interest Determination Date, then the Commercial Paper Rate shall be the Money Market Yield of the rate on such Commercial Paper Interest Determination Date for commercial paper having the Index Maturity specified in the applicable Pricing Supplement as published in the daily update of H.15(519), available through the internet site of the Board of Governors of the Federal Reserve System at <http://www.bog.frb.fed.us/releases/h15/update>, or any successor site or publication (the H.15 Daily Update), or such other recognized electronic source for the purpose of displaying such rate, under the heading "Commercial Paper—Non Financial", or any successor publication or heading. If by 3:00 p.m., New York City time, on such Calculation Date such rate is not yet published in either H.15(519) or H.15 Daily Update (or in any successor publications), or another recognized electronic service, the Commercial Paper Rate for that Commercial Paper Interest Determination Date shall be the Money Market Yield of the arithmetic mean, as calculated by the Calculation Agent on such Calculation Date, of the offered rates, as of 11:00 a.m., New York City time, on that Commercial Paper Interest Determination Date, of three leading dealers of commercial paper in New York City selected by the Calculation Agent (which may include one or more of the Dealers or their affiliates) for commercial paper having the Index Maturity specified in the applicable Pricing Supplement placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency; *provided, however*, that if fewer than three dealers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Commercial Paper Rate will be the Commercial Paper Rate in effect on such Commercial Paper Interest Determination Date; *provided* that if no Commercial Paper Rate is then in effect, the rate of interest on the Commercial Paper Rate Note will equal the Initial Interest Rate.

"Money Market Yield" shall be a yield (expressed as a decimal rounded upwards, if necessary, to the next higher one-hundred thousandth of a percentage point) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

#### *Prime Rate Notes*

Each Prime Rate Note will bear interest at the interest rate (calculated with reference to the Prime Rate and the spread and/or spread multiplier, if any) specified on the face of such Prime Rate Note and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "Prime Rate" means, with respect to any Prime Rate Note as of any Prime Rate Interest Determination Date, the rate set forth on such date in H.15(519) under the

heading "Bank Prime Loan", or any successor publication or heading. In the event that such rate is not published prior to 3:00 p.m., New York City time, on such Prime Rate Interest Determination Date, then the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen USPRIME1 Page, or any successor screen or page, as such bank's prime rate or base lending rate as in effect for that Prime Rate Interest Determination Date. If fewer than four such rates appear on the Reuters Screen USPRIME1 Page for the Prime Rate Interest Determination Date, the Prime Rate will be the arithmetic mean of the announced prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on such Prime Rate Interest Determination Date by at least two of three major money center banks in New York City selected by the Calculation Agent. If fewer than two such quotations are provided, the Prime Rate shall be determined on the basis of the rates furnished in New York City by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any state thereof, having total equity capital of at least U.S. \$500,000,000 and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent to provide such rates; *provided, however*, that if the banks selected as aforesaid are not quoting as mentioned in this sentence, the Prime Rate will be the Prime Rate then in effect on such Prime Rate Interest Determination Date; *provided, further*, that if no Prime Rate is then in effect, the rate of interest on the Prime Rate Note will equal the Initial Interest Rate.

#### *CD Rate Notes*

Each CD Rate Note will bear interest at the interest rate (calculated with reference to the CD Rate and the spread and/or spread multiplier, if any) specified on the face of such CD Rate Note and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "CD Rate" means, with respect to any CD Rate Interest Determination Date, the rate on such date for negotiable certificates of deposit having the Index Maturity specified in the applicable Pricing Supplement as published in H15(519) under the heading "CDs (Secondary Market)" or, if not so published by 3:00 p.m., New York City time, on the Calculation Date pertaining to such CD Rate Interest Determination Date, the CD Rate will be the rate on such CD Rate Interest Determination Date for negotiable certificates of deposit of the Index Maturity designated on the face hereof as published in the H.15 Daily Update under the heading "CDs (Secondary Market)". If such rate is not yet published in the H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Calculation Date pertaining to such CD Rate Interest Determination Date, the CD Rate for that CD Interest Determination Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the secondary market offered rates, as of 10:00 a.m., New York City time, on that CD Rate Interest Determination Date, of three leading nonbank dealers of negotiable U.S. dollar certificates of deposit in New York City selected by the Calculation Agent (which may include one or more of the Dealers or their affiliates) for negotiable certificates of deposit of major United States money center banks with a remaining maturity closest to the Index Maturity specified on the face of the Notes; *provided, however*, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as set forth, the CD Rate will be the CD Rate in effect on such CD Rate Interest Determination Date; *provided, further*, that if no CD Rate is then in effect, the rate of interest on the CD Rate Note will equal the Initial Interest Rate.

#### *Federal Funds Rate Notes*

Each Federal Funds Rate Note will bear interest at the interest rate (calculated with reference to the Federal Funds Rate and the spread and/or spread multiplier, if any) specified on the face of such Federal Funds Rate Note and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "Federal Funds Rate" means, with respect to any Federal Funds Interest Determination Date, the rate on such date for Federal Funds having the Index Maturity specified in the Note and in the applicable Pricing Supplement as published in H.15(519) under the heading "Federal Funds (Effective)", or any successor publication or heading. In the event that such rate is not published prior to 3:00 p.m., New York City time, on the Calculation Date pertaining to such Federal Funds Interest Determination Date, then the Federal Funds Rate will be the rate on such Federal Funds Interest Determination Date as such rate is displayed on the Bridge Telerate, Inc., or any successor service on page 120 (or for any other page as may replace such page on such service) ("Telerate Page 120"), or, if such rate does not appear on Telerate Page 120 or is not so published by 3:00 p.m., New York City time, on such Calculation Date pertaining to such Federal Funds Interest Determination Date, the Federal Funds Rate will be the rate on such Federal Funds Interest Determination Date as published in the H.15 Daily Update under the heading "Federal Funds/Effective Rate," or another recognized electronic source used for the purpose of displaying such rate, under the caption "Federal Funds (Effective)". If such rate does not appear on Telerate Page 120, or is not yet published in either H.15 (519), the H.15 Daily Update, or another recognized electronic source by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Federal Funds Interest Determination Date, the Federal Funds Rate for that Federal Funds Interest Determination Date shall be the arithmetic mean, as calculated by the Calculation Agent on such Calculation Date, of the rates, prior to 9:00 a.m., New York City time, on that Federal Funds Interest Determination Date, for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in New York City (which may include one or more of

the Dealers or their affiliates) selected by the Calculation Agent; *provided, however*, that if fewer than three brokers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Federal Funds Rate will be the Federal Funds Rate in effect on such Federal Funds Interest Determination Date; *provided* that if no Federal Funds Rate is then in effect, the rate of interest on the Federal Funds Rate Note will equal the Initial Interest Rate

#### *LIBOR Notes*

Each LIBOR Note will bear interest at the interest rate (calculated with reference to LIBOR and the spread and/or spread multiplier, if any) specified on the face of such LIBOR Note and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, LIBOR will be determined by the Calculation Agent in accordance with the following provisions: On each LIBOR Interest Determination Date, LIBOR will be determined on the basis of the offered rate for deposits in U.S. dollars having the Index Maturity specified in the applicable Pricing Supplement, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date, which appears on the Telerate Page 3750, or any successor publication or page, as of 11:00 a.m., London time, on that LIBOR Interest Determination Date. If such rate does not so appear on the Telerate Page 3750, or any successor publication or page, the rate in respect of such LIBOR Interest Determination Date will be determined on the basis of the rates at which deposits in U.S. dollars are offered by four major banks in the London interbank market (selected by the Calculation Agent) at approximately 11:00 a.m., London time, on the LIBOR Interest Determination Date next preceding the relevant Interest Reset Date to prime banks in the London interbank market for a period for the Index Maturity commencing on that Interest Reset Date and in a principal amount equal to an amount not less than U.S. \$1,000,000 that is representative for a single transaction in such market at such time. In such case, the Calculation Agent will request the principal London office of each for the aforesaid major banks to provide a quotation of such rate. If at least two such quotations are provided in respect of such LIBOR Interest Determination Date, the rate for that Interest Reset Date will be the arithmetic mean of the quotations, and, if fewer than two quotations are provided as requested in respect of such LIBOR Interest Determination Date, the rate for that Interest Reset Date will be the arithmetic mean of the rates quoted by three major banks in New York City, selected by the Calculation Agent (which may include one or more of the Dealers or their affiliates), at approximately 11:00 a.m., New York City time, on that LIBOR Interest Determination Date for loans in U.S. dollars to leading European banks for a period of the Index Maturity commencing on that Interest Reset Date and in a principal amount equal to an amount not less than U.S. \$1,000,000 that is representative for a single transaction in such market at such time; *provided, however*, if the aforesaid rate cannot be determined by the Calculation Agent, LIBOR in respect of such LIBOR Interest Determination Date will be LIBOR then in effect on such LIBOR Interest Determination Date; *provided* that if LIBOR is not then in effect, the rate of interest on the LIBOR Note will equal the Initial Interest Rate.

#### *Treasury Rate Notes*

Each Treasury Rate Note will bear interest at the interest rate (calculated with reference to the Treasury Rate and the spread and/or spread multiplier, if any) specified on the face of such Treasury Rate Note and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "Treasury Rate" means, with respect to any Treasury Rate Determination Date, the rate for the most recent auction of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified in the applicable Pricing Supplement under the heading "INVESTMENT RATE" on the display on the Bridge Telerate, Inc., or any successor service on page 56 (or any other page as may replace such page on such service) ("Telerate Page 56") or page 57 (or any other page as may replace such page on such service) ("Telerate Page 57") or, if not published by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Treasury Rate Determination Date, the Treasury Rate for such Treasury Rate Determination Date will be the yield to maturity expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the rate for the applicable Treasury Bills, published in the H.15 Daily Update, or any other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Auction High" on the Treasury Rate Determination Date or, if not so published by 3:00 p.m., New York City time, on the Calculation Date, the yield to maturity (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the auction rate of the applicable Treasury Bills as otherwise announced by the United States Department of the Treasury. In the event that the results of the auction of Treasury Bills having the Index Maturity specified in the applicable pricing Supplement designated on the face hereof are not published or reported as provided above by 3:00 p.m., New York City time, on such Calculation Date or if no such auction is held on such Treasury Rate Determination Date, then the Treasury Rate shall be the yield to maturity (expressed as a bond equivalent, on the basis of a year or 365 or 366 days, as applicable, and applied on a daily basis) of the rate on such Treasury Determination Date of such Treasury Bills having the Index Maturity designated on the face of the Notes as published in H.15 (519), or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market". If the rate above is not published by 3:00 p.m., New York City time, on

the Calculation Date pertaining to the applicable Treasury Rate Determination Date, the Treasury Rate shall be the yield to maturity (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the rate on the Treasury Rate Determination Date of such Treasury Bills as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying that rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market". If the rate above is not published in H.15 (519), H.15 Daily Update, or another recognized electronic source by 3:00 p.m., New York City time, on the Calculation Date, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean, as calculated by the Calculation Agent on such Calculation Date, of the secondary market bid rates as of approximately 3:30 p.m., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers in New York City selected by the Calculation Agent (which may include one or more of the Dealers or their affiliates), for the issue of Treasury bills with a remaining maturity closest to the specified Index Maturity; *provided, however*, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate will be the Treasury Rate in effect on such Treasury Rate Interest Determination Date; *provided, further*, that if no Treasury Rate is then in effect, the rate of interest on the Treasury Rate Note will equal the Initial Interest Rate.

#### *CMT Rate Notes*

CMT Rate Notes will bear interest at the rates (calculated with reference to the CMT Rate and the spread and/or spread multiplier, if any) specified in such CMT Rate Notes and any applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "CMT Rate" means, with respect to any Interest Determination Date relating to a CMT Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the CMT Rate, the rate displayed on the Designated CMT Telerate Page (as defined below) under the caption "...Treasury Constant Maturities...Federal Reserve Board Release H.15...Mondays Approximately 3:45 p.m.", or any successor caption, under the column for the Designated CMT Maturity Index (as defined below) for (i) if the Designated CMT Telerate Page is 7051, the rate on such CMT Rate Interest Determination Date and (ii) if the Designated CMT Telerate Page is 7052, for the week or the month, as applicable, ended immediately, preceding the week in which the related CMT Rate Interest Determination Date occurs. If such rate is no longer displayed on the relevant page, or if not displayed by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate for such CMT Rate Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index as published in the relevant H.15(519), or any successor publication. If such rate is no longer published, or if not published by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate for such CMT Rate Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Index) for the CMT Rate Interest Determination Date with respect to such Interest Reset Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the Designated CMT Telerate Page and published in the relevant H.15(519), or any successor publication. If such information is not provided by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate for the CMT Rate Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity, based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 p.m., New York City time, on the CMT Rate Interest Determination Date reported, according to their written records, by three leading primary United States government securities dealers (each, a "Reference Dealer") in New York City (which may include the Trustee or its affiliates) selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for the most recently issued direct noncallable fixed rate obligations of the United States ("Treasury Notes") with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than such Designated CMT Maturity Index minus one year. If the Calculation Agent cannot obtain three such Treasury Note quotations, the CMT Rate for such CMT Rate Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity based on the arithmetic mean of the secondary market offer side prices as of approximately 3:30 p.m., New York City time, on the CMT Rate Interest Determination Date of three Reference Dealers in New York City (from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for Treasury Notes with an original maturity of the number of years that is the next highest to the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in an amount of at least U.S. \$100,000,000. If three or four (and not five) of such Reference Dealers are quoting as described above, then the CMT Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of such quotes will be eliminated; *provided, however*, that if fewer than three Reference Dealers selected by the Calculation Agent are quoting as described herein, the CMT Rate will be the CMT Rate in effect on such CMT Rate Interest Determination Date; *provided* that if no CMT Rate is then in effect, the rate of interest on the CMT Rate Note will equal the Initial Interest



Rate. If two Treasury Notes with an original maturity as described in the third preceding sentence have remaining terms to maturity equally close to the Designated CMT Maturity Index, the quotes for the Treasury Note with the shorter remaining term to maturity will be used.

"Designated CMT Telerate Page" means the display on the Dow Jones Telerate Service, or any successor service, on the page designated in the applicable Pricing Supplement (or any other page as may replace such page on that service for the purpose of displaying Treasury Constant Maturities as reported in H.15(519)), for the purpose of displaying Treasury Constant Maturities as reported in H.15(519). If no such page is specified in the applicable Pricing Supplement, the Designated CMT Telerate Page shall be 7052, for the most recent week.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20 or 30 years) specified in the applicable Pricing Supplement with respect to which the CMT Rate will be calculated. If no such maturity is specified in the applicable Pricing Supplement, the Designated CMT Maturity Index shall be 2 years.

#### *Indexed Interest Notes and Dual Currency Notes*

In the case of Indexed Interest Notes or Dual Currency Notes, if the Rate of Interest or amount of interest is to be determined by reference to an index and/or a formula or, as the case may be, an exchange rate, such rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

#### *Zero Coupon Notes*

When a Zero Coupon Note becomes due and payable prior to the Maturity Date and is not paid when due, the amount due and payable shall be the Amortized Face Amount of such Note. From and after the Maturity Date or the date set for redemption or prepayment of such Zero Coupon Note, any overdue principal of such Note shall bear interest at a rate per annum equal to the Accrual Yield set forth on the face of the Note and in the applicable Pricing Supplement.

#### **Redemption and Purchase of Notes**

##### *Final Redemption*

Unless previously redeemed in whole or in part, each Note will be paid or redeemed as follows: Zero Coupon Notes will be paid at their Principal Amount on the applicable Maturity Date therefor; Fixed Rate Notes and Floating Rate Notes with one Maturity Date or one Redemption Month will be paid or redeemed at their Principal Amount on the applicable Maturity Date therefor or on the Interest Payment Date falling in the Redemption Month therefor (as the case may be); Fixed Rate Notes and Floating Rate Notes with more than one Maturity Date or Redemption Month will be paid or redeemed by the Issuer making a partial payment of each Note equal to the sum set opposite the relevant Maturity Date or Redemption Month (as the case may be) on the face of such Note and in the applicable Pricing Supplement; and Indexed Notes will be paid or redeemed in the amount and manner and on the dates specified on the face of each such Note and in the applicable Pricing Supplement.

##### *Redemption Following an Enforcement Event or Automatic Enforcement Event*

The Noteholders shall not have any right to redeem their Notes upon the occurrence of an Enforcement Event or Automatic Enforcement Event.

##### *Optional Redemption by Issuer*

If so specified in the applicable Pricing Supplement and on the face of the Notes, the Issuer may, having given not less than 30 days' notice nor more than 60 days' notice to the Noteholders and having given not less than 60 days' notice to the Trustee, redeem the Notes in whole or in part on their Call Option Date (if any) at the Call Option Price (expressed as a percentage of the principal amount of such Notes as are to be redeemed) stated in the applicable Pricing Supplement and on the face of such Note as applicable on such Call Option Date. The Issuer will also be obliged to pay any accrued and unpaid interest thereon.

Notices of redemption will specify the relevant Call Option Date fixed for redemption, the applicable redemption price and, in the case of partial redemption, the serial numbers of Notes called for redemption, the serial numbers of Notes previously called for redemption and not presented for payment, the aggregate principal amount of the Notes to remain outstanding after the redemption and the place or places where each such Note is to be surrendered for redemption.

If the Security Trustee serves notice on the Issuer that the security for the Notes has become enforceable then the Issuer may not redeem Notes pursuant to this sub-paragraph unless the Call Option Date in respect of those Notes is less than 60 days from the day such notice is first given by the Security Trustee.



### *Redemption at the Option of Noteholders*

If and to the extent specified in the applicable Pricing Supplement, a Noteholder may elect to have Notes redeemed in whole or in part on the Put Option Dates (if any) and at the Put Option Price (expressed as a percentage of the principal amount of such Notes to be redeemed) stated in the applicable Pricing Supplement and on the face of such Note as applicable to such Put Option Date. The Issuer shall pay any interest due thereon on the date fixed for redemption. To exercise such option the Noteholder must complete, sign and deposit at the specified office of the Trustee or any Paying Agent an option notice in the form obtainable from the Trustee or any Paying Agent together with such Note relating thereto (if any) not later than the day specified on the face thereof. No Note, if so deposited, may be withdrawn without the prior consent of the Issuer.

### *Redemption for Taxation Reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to Noteholders (which notice shall be irrevocable), at their Tax Redemption Amount if (i) the Guarantor has or will become obliged to pay additional amounts, including if the Guarantor becomes obliged to "gross up" payments under the Guarantee, as a result of any change in, or amendment to, the laws or regulations of the jurisdiction of organization of the Guarantor or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issuance of Notes and (ii) such obligation cannot be avoided by the Guarantor taking such reasonable measures as it considers are available to it; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Guarantee then due. The "Tax Redemption Amount" shall be calculated with respect to any Notes as of the applicable redemption date and shall equal the aggregate of the net present values of the then outstanding payments of principal and interest, as applicable, on such Note each discounted to such date of determination at rates per annum equal to the sum of (i) the fixed rate equivalent of LIBOR flat determined as of the second London Business Day prior to such date for terms equal to the periods of time between such date and the scheduled date of payment of each such payment of principal and interest in accordance with accepted financial practice by reference to the U.S. Dollar zero coupon swap curve and (ii) the LIBOR Spread of such Notes. The LIBOR Spread will be determined with respect to each Series of Notes based on the last valuation performed immediately preceding the 15th day preceding the effective date of any change in, or amendment to, or change in interpretation of, any laws or regulations affecting the taxation of the Notes (the "Tax Redemption Valuation Date") with respect to (i) the yield to maturity of such Note determined in accordance with accepted financial practice based upon the bid quotations (expressed as a percentage of face value) for such Note with respect to the Tax Redemption Valuation Date obtained from the pricing sources provided in the Security Agreement minus (ii) LIBOR flat with respect to the Tax Redemption Valuation Date which would have been payable in respect of a security with the same scheduled principal payments as such Note in the swap market in accordance with accepted financial practice by reference to the U.S. Dollar zero coupon swap curve. The Issuer shall notify the Trustee in writing of the Tax Redemption Amount promptly after the Manager's calculation of such amount. The LIBOR Spread will be calculated with respect to the Tax Redemption Valuation Date in order to reduce any adverse effect on the market value of Senior Notes caused by a change in the market's perception of the credit quality of the Issuer. No assurance, however, can be given that the Tax Redemption Valuation Date will not reflect any such adverse effect. For purposes of calculating the Tax Redemption Amount, if the rate of interest payable in respect of a Note is not a fixed rate, the fixed rate equivalent of such rate will be determined in the forward market in accordance with accepted financial practice. For the purposes of this paragraph, "London Business Day" means a day on which dealings in deposits in the Specified Currency are transacted in the interbank market in London, England.

Prior to the giving of any notice of redemption to the Noteholders, the Issuer shall deliver to the Trustee a certificate duly signed by the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred, and an opinion of legal advisors to the Guarantor of recognized standing to the effect that the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall make such certificate and opinion available for inspection by Noteholders at its principal office in New York.

### *Purchases and Cancellation*

The Guarantor or the Issuer may (subject as provided below) at any time purchase Notes at any price in the open market or otherwise. All Notes which are (i) redeemed or (ii) purchased by or on behalf of the Guarantor or the Issuer, will forthwith be canceled or held for resale at the discretion of the Issuer.

### *Zero Coupon Notes*

If Zero Coupon Notes are redeemed by the Issuer, each such Note shall be redeemed at an amount (the "Amortized Face Amount") equal to:

(i) the sum of (A) the Reference Price specified in the applicable Pricing Supplement and (B) the product of the Accrual Yield specified in the applicable Pricing Supplement (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable; or

(ii) if the amount payable with respect to any Zero Coupon Note upon redemption of such Zero Coupon Note is not paid or available for payment when due, the amount due and repayable with respect to such Zero Coupon Note shall be the Amortized Face Amount of such Zero Coupon Note calculated as provided above as though the references in sub-paragraph (i) to the date fixed for redemption or the date upon which the Zero Coupon Note becomes due and repayable were replaced by references to the date (the "Reference Date") which is the earlier of:

(1) the date on which all amounts due with respect to the Note have been paid; or

(2) the date on which the full amount of the monies repayable has been received by the Trustee and notice to that effect has been given to Noteholders.

The calculation of the Amortized Face Amount in accordance with this sub-paragraph (ii) will continue to be made, after as well as before judgment, until the Reference Date unless the Reference Date falls on or after the Maturity Date, in which case the amount due and repayable shall be the principal amount of such Note together with interest at a rate per annum equal to the Accrual Yield.

Where any such calculation is to be made for a period of less than a full year, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each (or, in the case of Notes denominated in Sterling, 365 or 366 days) and, in the case of an incomplete month, the number of days elapsed.

#### *Redemption of Other Types of Notes*

The applicable Pricing Supplement issued in respect of a Series of Notes which are of a type other than that elsewhere contemplated herein shall specify the basis for calculation of the amount payable upon redemption of the relevant Notes or upon their becoming due and payable.

#### **Events of Default**

With respect to any Series of Notes, the Security Trustee shall, upon being informed by the Trustee (after the Trustee (i) becomes aware of the following or (ii) receives notice from a Noteholder or the Issuer of the following) that one of the events specified in paragraphs (a) to (e) below has occurred and is continuing (an "Event of Default") and (other than in the case of an Event of Default specified in (a) below) having received a copy of the resolution of a majority of Noteholders, or other evidence of any affected Series, directing the Security Trustee to enforce the security for the applicable Series of Notes constituted by the Security Agreement, be entitled to exercise its rights under the enforcement provisions of the Security Agreement. An "Event of Default" shall have occurred if any of the following conditions or events shall occur and be continuing:

(a) default in the payment of any interest on or principal of any Note of any Series when the same becomes due and payable and such default shall continue for a period of 14 days after written notice thereof is provided to the Guarantor and the Trustee by any Noteholder of such Series;

(b) the Issuer or the Guarantor shall fail to perform or observe any obligation, covenant, condition or provision binding on it under the Notes or the Security Agreement, as the case may be (other than an obligation for the payment of principal or interest due in respect of such Notes), and such failure shall continue for a period of 30 days after notice thereof has been given by any Noteholder of such Series to the Issuer or the Guarantor and to the Trustee;

(c) the Issuer or the Guarantor shall default in the payment of any amount due in respect of debt securities, liquidity facilities, Derivative Contracts, repurchase agreements or securities lending agreements ranking *pari passu* with the Notes on the due date therefor (after taking in account any applicable grace periods) in the manner provided for with respect thereto;

(d) following the occurrence of the Enforcement Date under the Security Agreement, a court having jurisdiction in the premises shall order that the Secured Obligations, including all the outstanding Notes issued under the Indenture, be paid or otherwise settled or subject to compromise or the Collateral subject to substitution, at any time prior to that contemplated by the provisions of the Security Agreement and Defeasance Guidelines;

(e) an Insolvency Event (as defined in the Security Agreement) shall occur; or

(f) a court having jurisdiction in the premises shall order that the Secured Obligations, including all the outstanding notes issued under the applicable agency agreements, be paid or otherwise settled or subject to

compromise or the Collateral subject to substitution, at any time prior to that contemplated by the provisions of the Security Agreement.

#### **Limited Recourse**

The Secured Obligations and all other obligations of the Issuer and/or the Guarantor are limited recourse obligations of the Issuer and/or the Guarantor, as applicable. Secured Parties (including Noteholders) will have recourse only to the Collateral. Once all Collateral has been applied in accordance with the Security Agreement, any unpaid amounts due in respect of the Notes shall be deemed extinguished and no recourse may be had in connection therewith against the Issuer or its directors, officers, employees, shareholders or affiliates. Each Noteholder, by its acceptance thereof, will be deemed to have agreed to these provisions.

#### **Non-petition**

The Trustee has covenanted and agreed, and the Noteholders shall be deemed to have covenanted and agreed, that, prior to the date that is one year and one day after all the Secured Obligations issued by the Issuer and the Guarantor have been satisfied, they will not at any time institute against the Issuer or the Guarantor, or join in any institution against the Issuer or the Guarantor of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any applicable bankruptcy or similar law in connection with any obligations with respect to the Notes.

#### **Trustee and Paying Agents**

The initial Trustee is Bank One, NA, at its office specified below.

Each of the Issuer, the Guarantor, or any bona fide Noteholder for at least six months who petitions any court of competent jurisdiction may terminate the appointment of the Trustee if, at any time, (i) the Trustee's combined capital and surplus shall be less than U.S. \$50,000,000 and shall fail to resign after written request therefor by any of the aforementioned parties, or (ii) the Trustee shall become incapable of acting or insolvent or subject to liquidation or receivership proceeding. Additionally, holders of a majority in principal amount of the outstanding Notes of any Series may terminate at any time the appointment of the Trustee with respect to such Series by notice or otherwise to the Trustee and the Issuer. In the event that the short-term unsecured debt of the Trustee is rated below "A-1" by Standard & Poor's or below "P-1" by Moody's, the Guarantor may remove the Trustee with respect to all Notes. However, in all instances, no removal of the Trustee shall become effective until a successor Trustee has accepted the appointment under the Indenture.

#### **Lost, Stolen, Mutilated, Defaced or Destroyed Notes**

Should any Note be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Trustee upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence any indemnity as the Issuer and/or the Trustee (as the case may be) may reasonably require. Mutilated or defaced Notes must be surrendered before any replacements will be issued.

#### **Notices**

All communications to the Trustee by or on behalf of the Issuer or the Guarantor relating to the issuance, transfer, exchange, completion, delivery or payment of the Notes or interest thereon shall be directed to the Trustee at its address set forth hereunder. The Issuer shall send all Notes to be completed and delivered by the Trustee to such address (or such other address as the Trustee shall specify in writing to the Issuer). The Trustee shall advise the Issuer and the Guarantor from time to time of the individuals generally responsible for the administration of the Indenture.

Notices and other communications to the Issuer, the Guarantor and the Trustee hereunder shall (except to the extent otherwise expressly provided) be in writing and shall be addressed as follows, or to such other address as the party receiving such notice shall have previously specified:

(i) if to the Issuer or the Guarantor:

White Pine Corporation Limited  
47 Esplanade  
St. Helier  
Jersey JE1 0BD  
Channel Islands  
British Isles  
Telephone: 44-1534-505900  
Facsimile: 44-1534-726391  
Attention: The Directors

with a copy to:

Bank One Capital Markets Limited  
1 Triton Square  
London NW1 3FN  
England  
Telephone: 44-20-7390-1003  
Telecopy: 44-20-7903-4182  
Attention: SIV Group - Treasury

(ii) if to the Trustee:

Bank One, NA  
1 Bank One Plaza  
Chicago, Illinois 60670

Telephone: (312) 407-1871  
Facsimile: (312) 336-8840/1  
Attention: Corporate Trust Administration

with a copy to:

Bank One, NA  
1 Bank One Plaza  
Chicago, Illinois 60670

Telephone: (312) 407-7374  
Facsimile: (312) 407-4232  
Attention: Corporate Trust Account Administration

Notices to Noteholders will be made by mail to the addresses listed on the Note Register maintained by the Trustee.

#### **Meetings of Holders**

Pursuant to the Indenture, a meeting of Noteholders may be called at any time and from time to time by the Issuer or the Trustee to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Indenture or the Notes to be made, given or taken by Noteholders or to modify, amend or supplement the terms of the Notes or the Indenture as provided therein.

#### **Governing Law**

The Indenture and the Notes and their issuance are governed by, and construed in accordance with, New York law. The Issuer and the Guarantor irrevocably agree for the benefit of the Noteholders that the United States District Court for the Southern District of New York, any court in the State of New York located in the City and County of New York, and any appellate court from any thereof shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the Notes and for such purposes irrevocably submits to the jurisdiction of such courts. The Issuer and the Guarantor have appointed Law Debenture Corporate Services Inc. as their agent for receipt of service of process. The Issuer and the Guarantor irrevocably waive any objections which they may have now or hereafter to such courts of the United States and of the State of New York being nominated as the forum to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the Notes and waive any claim that any such court is not a convenient or appropriate forum. The above submission to the jurisdiction of the courts of the United States and of the State of New York shall not limit the right of the Noteholders or any of them to take proceedings against the Issuer or the Guarantor in any other court of competent jurisdiction nor shall the bringing or taking of any suit, action or proceeding in any one or more jurisdictions preclude the bringing or taking of any suit, action or proceeding in any other jurisdiction, whether concurrently or not.

## USE OF PROCEEDS

The net proceeds of the issue of Notes, after payment of applicable fees and expenses, will be paid to the Guarantor and used by the Guarantor in a manner consistent with the investment and funding parameters set out below in "DESCRIPTION OF THE ASSET PORTFOLIO".

## DESCRIPTION OF THE GUARANTEE

Each of the Notes will have the benefit of an unconditional and irrevocable Guarantee from the Guarantor as to the due and punctual payment of principal and any premium and interest on such Note, and any sinking fund payment (or analogous obligation) payable by the Issuer when such amounts become due and payable, whether at stated maturity, by declaration of acceleration, call for redemption or otherwise. The Guarantee will be secured as described below under "SECURITY".

## THE ISSUER

White Pine Finance LLC (the "Issuer") is a limited liability company organized in the State of Delaware. The Issuer is a wholly-owned, and the sole, subsidiary of the Guarantor formed for the limited purpose of financing business activities of the Guarantor through the issuance of the Notes and the U.S. CP in the United States. In forming the Issuer and structuring the transactions contemplated in this Offering Circular, steps have been taken to reduce the likelihood that the Issuer will become subject to a bankruptcy, insolvency or similar proceeding including the steps described below under the "THE GUARANTOR".

## THE GUARANTOR

White Pine Corporation Limited (the "Guarantor") is a public company incorporated with limited liability on October 17, 2000 under the laws of Jersey, having registered number 78446 and with its registered office at 47 Esplanade, St. Helier, Jersey JE1 0BD, Channel Islands, British Isles. The total authorized share capital of the Guarantor is U.S. \$10,000 divided into shares of U.S. \$1 each. The issued and paid-up share capital of the Guarantor at the date hereof is U.S. \$1,000. There is a single class of share capital of the Guarantor having a par value of U.S. \$1 per share and all such issued and paid-up share capital is held by or on behalf of the Share Trustee on trust for charitable purposes. Except as set forth under "— Financial Information", since the date of its incorporation the Guarantor has had no trading or operating history.

Pursuant to the Security Agreement, the business of the Guarantor is restricted to: guaranteeing the Notes and the U.S. CP issued by the Issuer, issuing the Euro MTNs, the Euro CP and the Capital Notes, and acquiring, holding and disposing of the Collateral in accordance with the Security Agreement and the Custody and Account Control Agreement; and entering into the Security Agreement and the other Transaction Documents (as defined herein) and exercising the rights and performing the obligations under each such agreement and all other transactions incidental thereto. There is no constitutional or statutory restriction on the activities of the Guarantor.

The Guarantor has conducted business activities which are incidental to, and necessary for, its incorporation and the authorization and issue of the Notes, and activities incidental to, and necessary for, the performance of the Guarantor's obligations under the Notes and the agreements entered into in connection with the issuance of the Notes, the purchase of the Collateral and the grant of the security interests in the Collateral. The Guarantor has taken additional steps in structuring the transactions contemplated in this Offering Circular which are intended to reduce the likelihood that the Guarantor will be subject to a bankruptcy, insolvency or similar proceeding, including obtaining agreements from creditors for borrowed money to the effect that they would not institute insolvency proceedings against the Guarantor for a period ending one year and one day after the payment in full of the Secured Obligations, covenanting to maintain at least two independent directors and covenanting not to merge or consolidate with another entity unless the surviving entity shall be similarly limited in purpose and the Rating Agency Condition shall have been satisfied.

In order to carry out its business the Guarantor has established the investment and funding parameters set out in "DESCRIPTION OF THE ASSET PORTFOLIO" and has appointed the Manager to propose and execute its investment, management and funding strategies, including managing its day-to-day activities. The role of the Manager is more fully described below under "THE MANAGER" and "THE MANAGEMENT AGREEMENT".

### **Board of Directors**

The Guarantor's Board of Directors is primarily responsible for the policies in accordance with which the Guarantor is managed.

The present members of the Board of Directors and their principal outside positions are currently and, were at the time of appointment to the Board, those set out below:

**Graham Journeaux** holds a degree and doctorate from Brunel University. He is a member of the Institute of Chartered Accountants in England and Wales and worked with Ernst & Young in Jersey and Kuwait. He is currently Managing Director of the Quorum Trust Group in Jersey, which specializes in the provision of private trustee services, with whom he has been for 15 years.

**Peter Richardson** is an Associate of the Chartered Institute of Bankers and has offshore finance industry experience in Jersey, both in the private and corporate client sectors, totaling 27 years. He is a Director of SFM Offshore Limited, the Corporate Services Provider, in Jersey and is a director of a number of special purpose companies administered by that company.

**Michael Best** is a Fellow Member of the Association of Accounting Technicians and is also an Associate of the Chartered Institute of Bankers. He has extensive experience in offshore corporate administration spanning over 25 years and is also a Director of SFM Offshore Limited and Managing Director of the Dominion Corporate Group in Jersey.

The business address of each of the directors of the Guarantor is at 47 Esplanade, St. Helier, Jersey JE1 0BD, Channel Islands.

The secretary of the Guarantor is SFM Offshore Limited whose business address is at 47 Esplanade, St. Helier, Jersey JE1 0BD, Channel Islands.

SFM Offshore Limited (the "Corporate Services Provider") has agreed to provide certain administrative services to the Guarantor pursuant to a Corporate Services Agreement (as amended or modified and in effect from time to time, the "Corporate Services Agreement") dated as of February 1, 2002, between the Guarantor and the Corporate Services Provider.

#### **Financial Information**

As at the date hereof, the Guarantor has no indebtedness.

As at the date hereof, the following table sets forth the capitalization of the Guarantor.

	<u>U.S. Dollars</u>
Share Capital (1)	1,000
Capital Notes	0

Notes:

(1) The total authorized share capital of the Guarantor is U.S. \$10,000 divided into 10,000 ordinary shares of U.S. \$1 each. The issued and paid-up share capital of the Guarantor is U.S. \$1,000.

The Guarantor has not traded or carried on business since its incorporation, except to enter into a call option agreement dated November 8, 2000, as amended, among (1) Sceptre International Limited (the "Grantor"), (2) Morgan Guaranty Trust Company of New York, (3) the Guarantor and (4) Bank One, NA (the "Call Option Agreement"). The Call Option Agreement expired on January 22, 2002. Under the Call Option Agreement, the Guarantor had an option to purchase certain securities acquired by the Grantor.

As at the date hereof, the Guarantor has no outstanding liabilities.

## THE MANAGER

Bank One Capital Markets Limited (in such capacity, together with its successors and assigns, the "Manager") has agreed to perform, on behalf of the Issuer and the Guarantor, certain funding and investment management duties pursuant to the Management Agreement (as amended or modified and in effect from time to time, the "Management Agreement") dated as of February 1, 2002 between the Manager and the Guarantor.

The Manager, formerly known as First Chicago Limited, was incorporated in the UK as a limited liability company on July 30, 1970. The Manager is a UK investment bank, regulated by both The Financial Services Authority in the United Kingdom and the Federal Reserve in the United States. The Manager's activities include the provision of investment management services.

The Manager is a wholly-owned indirect subsidiary of Bank One, NA, a national banking association having its principal office in Chicago, Illinois. The Manager's activities are conducted by employees of Bank One, NA.

## THE MANAGEMENT AGREEMENT

Pursuant to the Management Agreement, the Manager, will and is authorized to, among other things:

- (i) identify, undertake a credit review and review all other issues pursuant to proposals with respect to, and agree on pricing and all other terms and conditions of, purchases and sales of Investment Securities by the Guarantor;
- (ii) identify, undertake a credit review and review all other issues with respect to, and agree to pricing and all other terms and conditions of, derivative contracts, repurchase agreements, securities lending agreements and any agreement relating to any other transaction, in each case, proposed to be entered into, modified or terminated by the Guarantor;
- (iii) directing the Custodian to take actions with regard to Assets (as defined herein) held by the Guarantor that may be required pursuant to the Transaction Documents, including, among other things, the sale or other disposition of such Assets, consenting to modification and waivers with respect to such Assets, and the exercise of rights and remedies with respect to such Assets;
- (iv) establish, arrange and operate, including proposing and executing issuances of Notes therefrom, all programs relating to the issuance of the Notes, U.S. CP, Euro MTNs, Euro CP and Capital Notes, on behalf of the Issuer and the Guarantor, as the case may be, including, without limitation, arranging for the listing of securities, obtaining credit enhancement or guarantees, engaging dealers, trustees, custodians and fiscal and paying agents, obtaining ratings on securities and preparing disclosure materials;
- (v) negotiate, execute and deliver on behalf of the Issuer and the Guarantor agreements, instruments and documents relating to all programs relating to the issuance of the Notes, U.S. CP, Euro MTNs, Euro CP and Capital Notes; and
- (vi) identify, negotiate and execute on behalf of the Guarantor swap lines, repurchase lines, securities lending lines, and any other lines of credit in accordance with the Security Agreement.

Additionally, the Manager is required to monitor the Collateral on an ongoing basis to determine compliance with the terms and conditions of the Security Agreement and other Constraints applicable to the Guarantor including the observation of the risk management procedures which are designed to hedge interest rate and currency risks in respect of the Guarantor's portfolio. See "DESCRIPTION OF THE ASSET PORTFOLIO".

"Constraints" shall mean (i) any representations, warranties, covenants and agreements in the Transaction Documents that are applicable to the Issuer, the Guarantor or the Manager, (ii) any undertakings, restrictions or operating parameters applicable to the Issuer, the Guarantor or the Manager agreed upon by the Rating Agencies and the Guarantor, with the approval of the Manager, which approval shall not be unreasonably withheld or (iii) any statute, law, rule, regulation or judicial order or decree applicable to the Issuer, the Guarantor or the Manager.

The Manager shall identify and execute any transaction and take any action that in the reasonable judgment of the Manager is required to prevent the occurrence of or to cure, to the extent possible, any Defeasance Event, Incipient Defeasance Event, Enforcement Event, Automatic Enforcement Event, Incipient Enforcement Event, Mandatory Acceleration Event or Incipient Mandatory Acceleration Event or breach or threatened breach of any Constraint,

*provided* that in the case where preventing the occurrence of or curing, to the extent possible, a Defeasance Event, an Incipient Defeasance Event, an Enforcement Event, an Automatic Enforcement Event, an Incipient Enforcement Event, a Mandatory Acceleration Event or an Incipient Mandatory Acceleration Event or breach or threatened breach of any Constraint would create another Defeasance Event, an Incipient Defeasance Event, an Enforcement Event, an Automatic Enforcement Event, an Incipient Enforcement Event, a Mandatory Acceleration Event or an Incipient Mandatory Acceleration Event or breach or threatened breach of a Constraint, as the case may be, the Manager shall determine which Defeasance Event, Incipient Defeasance Event, Enforcement Event, Automatic Enforcement Event, Incipient Enforcement Event, Mandatory Acceleration Event or Incipient Mandatory Acceleration Event or breach or threatened breach of a Constraint to prevent or to cure. The Manager shall not be liable for making such determination and taking any action pursuant thereto as long as it shall have acted in good faith. The Manager is also authorized to and will undertake cash management and administrative duties on behalf of the Guarantor and furnish such reports, schedules and other data as may be required under the applicable documentation.

The Manager, its affiliates engaged or employed by the Manager pursuant to the Management Agreement (the "Relevant Affiliates") and their respective partners, directors, managers, officers and employees shall not be liable to the Guarantor, the Issuer, the Security Trustee, the Custodian, the holders of Secured Obligations or any other person for any acts or omissions by the Manager, its Relevant Affiliates or their respective partners, directors, managers, officers or employees under or in connection with the Management Agreement or the terms of the Security Agreement, or for any decrease in the value of the Collateral or for any action of the Guarantor, the Issuer, the Security Trustee or the Custodian in following or declining to follow any direction of the Manager, except for acts or omissions constituting bad faith, willful misconduct, gross negligence or fraud in the performance of, or reckless disregard with respect to, the duties of the Manager under the Management Agreement and the terms of the Security Agreement applicable to the Manager. The Manager, its Relevant Affiliates and their respective partners, directors, managers, officers, employees and controlling persons will be entitled to indemnification by the Guarantor under certain circumstances.

The Manager and its affiliates may engage, to the extent permitted by law, in other business and furnish investment management and advisory services to others, including persons that may have investment policies similar to those followed by the Guarantor with respect to the Collateral and that may own securities of the same class, or of the same type, as the Investment Securities or other securities of the issuers of Investment Securities. The Manager will be free, in its sole discretion, to make recommendations to others, or effect transactions on behalf of itself or for others, that may be the same as or different from those it recommends that the Guarantor effect with respect to the Collateral.

As compensation for the performance of its obligations under the Management Agreement, the Manager will receive (i) a base management fee (the "Base Management Fee") payable after payments due to the holders of the Senior Notes have been paid (but senior to payments due to the holders of the Capital Notes) and (ii) a performance management fee (the "Performance Management Fee") payable after payments due to the holders of the Senior Notes have been paid (but payable *pari passu* with payments due to the holders of the Capital Notes), each paid in accordance with the priority of payments set forth in the Security Agreement. The Manager is also entitled to reimbursement of certain costs and expenses incurred on behalf of the Guarantor.

The Management Agreement will terminate upon the first of the following to occur: (a) the occurrence of the Enforcement Date, (b) the occurrence of the Mandatory Acceleration Date, (c) the liquidation of the Collateral and the final distribution of the proceeds of such liquidation or the payment in full of the Secured Obligations or (d) the termination of the Security Agreement in accordance with its terms. The Manager may resign upon 90 days' prior written notice to the Guarantor; *provided* that such resignation of the Manager shall only be effective when a successor Manager shall have been appointed and approved in accordance with the provisions of the Management Agreement, including the satisfaction of the Rating Agency Condition. If the Management Agreement is terminated pursuant to clause (a) or (b) above, the manager shall, upon request of the Security Trustee, for a period of up to twelve (12) months, act as portfolio adviser, in respect of which a fee on commercially reasonable terms (including appropriate indemnity) and at market rates will be payable by the Guarantor to the Manager; *provided, however*, that the Manager will act as portfolio advisor pending resolution of such terms.

The Manager may be removed at the direction of the board of directors of the Guarantor (1) without "cause" upon not less than 90 days' written notice and (2) for "cause" upon written notice by the Guarantor to the Manager upon the occurrence of (a) the violation or breach by the Manager of any provision of the Management Agreement or the Security Agreement applicable to the Manager, which violation or breach has a material adverse effect on the holders of the Secured Obligations and which violation or breach has not been cured within 30 days of the Manager becoming aware of the occurrence of such violation or breach, or (b) bankruptcy or insolvency of the Manager, or (c) the long-term unsecured debt rating of Bank One, NA being downgraded below "BBB-" by Standard & Poor's or downgraded below "Baa3" by Moody's; *provided, however*, that the removal of the Manager contemplated by this



paragraph will only be effective if (i) the Guarantor shall have given written notices to the holders of Capital Notes and the Rating Agencies prior to giving any such termination notice to the Manager and (ii) until the latest to occur of the date on which (A) a successor manager has been appointed pursuant to the Management Agreement, (B) the holders of more than 50% of the aggregate outstanding principal amount (the "Requisite Amount") of the Capital Notes shall have approved the appointment of such successor manager and (C) the Rating Agency Condition shall have been satisfied.

The Manager may assign its rights and obligations under the Management Agreement if (i) such assignment is agreed to in writing by (a) the Guarantor and (b) the holders of the Requisite Amount of the Capital Notes and (ii) the Rating Agency Condition shall have been satisfied. However, upon 90 days' written notice to the Guarantor, the Manager may assign its rights and obligations under the Management Agreement without obtaining any agreement by the Guarantor or by the holders of the Requisite Amount of Capital Notes to an affiliate of the Manager if, (I) such affiliate (x) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Manager under the Management Agreement, and (y) is legally qualified and has the capacity to act as the Manager under the Management Agreement, (II) such assignment will not result in the Issuer, the Guarantor or the pool of Collateral requiring to be registered as an "investment company" under the Investment Company Act, (III) such assignment will not cause adverse tax consequences to the Issuer or the Guarantor and (IV) the Rating Agency Condition shall have been satisfied.

The Guarantor may assign its rights and obligations under the Management Agreement upon (a) the prior written consent of each of (i) the Manager, (ii) the Security Trustee and (iii) the holders of the Requisite Amount of the Capital Notes and (b) the satisfaction of the Rating Agency Condition, unless such assignment is made by the Guarantor to (x) a successor permitted under the Security Agreement; *provided that the Rating Agency Condition shall have been satisfied, or (y) the Security Trustee pursuant to the Security Agreement.* Notwithstanding the foregoing, the Guarantor may only assign its rights, title and interest in (but not obligations under) the Management Agreement to the Security Trustee pursuant to the Security Agreement. Additionally, the consent of the Manager shall not be required in the event that the Guarantor appoints a successor manager after the Manager has submitted its resignation notice or the Manager has been removed by the Guarantor or otherwise as described herein.

## SECURITY

The Notes, together with certain other obligations of the Issuer and the Guarantor, will be secured generally by a security interest in all the assets of the Guarantor, including without limitation, the Investment Securities, the Derivative Contracts, each Transaction Document (other than the Notes and the Guarantees) and all proceeds thereof (the "Collateral"). "Transaction Documents" means collectively, (i) the Security Agreement, (ii) the Custody and Account Control Agreement (as defined herein), (iii) the liquidity facilities entered into or to be entered into by the Guarantor as contemplated by the Security Agreement, (iv) the various agency agreements entered into or to be entered into by the Issuer or the Guarantor as contemplated in the Security Agreement, (v) the Senior Notes, the Capital Notes and any other debt instruments issued and sold by the Issuer or the Guarantor, (vi) the Guarantees, (vii) the intercompany agreement dated as of February 1, 2002 between the Guarantor and the Issuer, (viii) the Management Agreement, (ix) the repurchase agreements to be entered into by the Issuer as contemplated in the Security Agreement, (x) the Derivative Contracts to be entered into by the Issuer as contemplated in the Security Agreement, (xi) the securities lending agreements to be entered into by the Issuer as contemplated in the Security Agreement, (xii) the Program Agreement (as defined herein), (xiii) the various program agreements entered into or to be entered into by the Guarantor and/or the Issuer, as the case may be, and the dealers that are parties thereto, in connection with the other Senior Notes and the Capital Notes, (xiv) the Corporate Services Agreement, and (xv) any other agreements entered into by the Issuer in contemplation of the Security Agreement, including without limitation, in each case, all exhibits and schedules thereto.

Under the Security Agreement, the security interest is held by the Security Trustee on behalf of the following parties (collectively, the "Secured Parties"): (i) the holders of the Senior Notes, the Guarantees and other debt securities and obligations for borrowed money constituting Senior Obligations (as defined herein), (ii) the Security Trustee appointed under the Security Agreement, (iii) the various agents under the applicable agency agreements, (iv) Bank One, NA, as Custodian and Securities Intermediary (in such capacities, the "Custodian" and the "Securities Intermediary") appointed under the Custody and Account Control Agreement dated as of February 1, 2002 among the Guarantor, the Security Trustee, the Securities Intermediary and the Custodian (as amended or modified and in effect from time to time, the "Custody and Account Control Agreement"), (v) all repurchase agreement counterparties under the repurchase agreements, (vi) all derivative counterparties under the Derivative Contracts, (vii) all securities lending counterparties under the securities lending agreements, (viii) all liquidity providers under the liquidity facilities, (ix) the holders of Junior Obligations (as defined herein), (x) the Manager under the Management

Agreement, (xi) the Corporate Services Provider (as defined herein) under the Corporate Services Agreement and (xii) all other holders of Secured Obligations. The Security Agreement also provides for the payment of various expenses of the Guarantor and its subsidiaries including (i) all reasonable fees, costs and expenses (including any indemnity payments) payable or reimbursable by the Guarantor to the Security Trustee, including the fees, costs, expenses and indemnities payable by the Security Trustee to certain third parties, (ii) all advances with respect to Senior Obligations and all reasonable fees, costs and expenses (excluding any indemnity payments), payable or reimbursable to the various agents under the applicable agency agreements, (iii) all reasonable fees, costs and expenses (excluding any indemnity payments) payable or reimbursable under the liquidity facilities and the Custodian or the Securities Intermediary under the Custody and Account Control Agreement and (iv) all such other costs and expenses as may be necessary to preserve the existence of the Guarantor or its subsidiaries or their authority to engage in business to be engaged in by the Guarantor or its subsidiaries; *provided, however*, that, in the case of each of clauses (i) through (iv) above, such fees, costs, expenses and, if applicable, advances with respect to Senior Obligations shall include amounts reimbursable to any of the foregoing persons as a result of payments (other than payments with respect to Junior Obligations) made by any of them on behalf of the Guarantor (all payments made pursuant to clauses (i) through (iv) above, the "Administrative Expenses").

Under the Security Agreement, the following constitute "Senior Obligations": (i)(a) the Notes, (b) any U.S. commercial paper issued by the Issuer ("U.S. CP"), (c) any notes issued by the Guarantor under the Euro medium-term note program ("Euro MTNs") and (d) any Euro commercial paper issued by the Guarantor ("Euro CP" and, together with the Notes, the U.S. CP and the Euro MTNs, the "Senior Notes"), (ii) all obligations of the Guarantor to repay liquidity loans and to pay interest payable under the liquidity facilities (see "DESCRIPTION OF THE ASSET PORTFOLIO—Committed Liquidity and Liquidity Cash Deposits" below), (iii) all obligations of the Guarantor under Derivative Contracts, repurchase agreements and securities lending agreements, (iv) all debt securities (other than the Senior Notes) issued by the Guarantor or the Issuer or other obligations for borrowed money of the Guarantor or the Issuer, in either case, (x) that carry a rating from the Rating Agencies that is equivalent to the then applicable ratings of the other Senior Obligations at the time of issuance of such securities or obligations, (y) that, by their terms, are to be included within "Senior Obligations" and (z) notice of which shall have been given to the Security Trustee and the Rating Agencies by the Guarantor and (v) the guarantees provided by the Guarantor in respect of any debt securities issued by the Issuer or any other obligation for borrowed money of the Issuer; *provided, however*, that "Senior Obligations" shall not include any subordinated obligations that, by their terms, are to be excluded from "Senior Obligations", including the Junior Obligations. Under the Security Agreement the following constitute "Junior Obligations": (a) any Capital Notes issued by the Guarantor and (b) all securities issued by the Guarantor (other than the Capital Notes) or other obligations undertaken by the Guarantor, in each case, that, by their terms, are to be included within "Junior Obligations" and are subject to certain provisions of the Security Agreement; *provided, however*, that "Junior Obligations" shall not include any obligations that, by their terms, are to be excluded from "Junior Obligations", including the Senior Obligations.

The Security Agreement provides that each Secured Party with respect to Secured Obligations other than the Unsubordinated Obligations (as defined herein) at such time, shall be deemed to agree that its right to payments shall be fully subordinated to the payment in full and retirement of all Unsubordinated Obligations, except to the extent expressly specified in the Security Agreement. Such circumstances are described in the next succeeding paragraph and under "SUMMARY OF THE PROGRAM —Realization of Collateral Following an Enforcement Event or Automatic Enforcement Event".

"Secured Obligations" means:

- (i) all Senior Notes;
- (ii) all guarantees provided by the Guarantor in respect of any debt securities issued by the Issuer or any other obligation for borrowed money of the Issuer;
- (iii) all other debt securities issued by the Guarantor or the Issuer and other obligations for borrowed money, in either case (x) that carry a rating from the Rating Agencies that is equivalent to the then applicable ratings of the other Senior Obligations at the time of issuance of such securities or obligations, (y) that, by their terms are to be included within "Senior Obligations" and (z) notice of which shall have been given to the Security Trustee and the Rating Agencies by the Guarantor;
- (iv) all obligations of the Guarantor to the Security Trustee under the Security Agreement;
- (v) all obligations of the Guarantor to the various agents under the applicable agency agreements;

- (vi) all obligations of the Guarantor to the Custodian and the Securities Intermediary under the Custody and Account Control Agreement;
- (vii) all obligations of the Guarantor to repurchase agreement counterparties under repurchase agreements;
- (viii) all obligations of the Guarantor to derivative counterparties under the Derivative Contracts;
- (ix) all obligations of the Guarantor to securities lending counterparties under securities lending agreements;
- (x) all obligations of the Guarantor to the liquidity providers under the liquidity facilities;
- (xi) all Junior Obligations;
- (xii) all obligations of the Guarantor to the Manager under the Management Agreement;
- (xiii) all obligations of the Guarantor to the Corporate Services Provider under the Corporate Services Agreement; and
- (xiv) other obligations of the Guarantor or the Issuer that by their terms are to be included within "Secured Obligations" and notice of which shall have been given to the Security Trustee and the Rating Agencies by the Guarantor;

*provided, however*, that "Secured Obligations" shall not include (a) any obligations of the Guarantor that, by their terms, are to be excluded from "Secured Obligations" and (b) obligations of the Guarantor or any subsidiary of the Guarantor to the Guarantor or any subsidiary of the Guarantor, as the case may be; *provided, further*, that all Secured Obligations shall be payable in accordance with the priority of payments set forth in the Security Agreement.

"Unsubordinated Obligations" means the Senior Obligations until all such obligations have been paid in full (including all principal, interest and other amounts, whether due or to become due), and thereafter, the Junior Obligations.

Under the Security Agreement, prior to the earliest to occur of (i) the Defeasance Date, (ii) the Enforcement Date and (iii) the Mandatory Acceleration Date, the Guarantor will be required to instruct the Custodian to apply funds available for distribution for the following purposes and, in the following order of priority:

- (i) *first*, to pay any Administrative Expenses when due;
- (ii) *second*, to pay any amounts due in respect of Senior Obligations when due;

(iii) *third*, to pay any Operating Expenses (as defined herein) when due; *provided, however*, that the Guarantor shall not instruct the Custodian to withdraw, and the Custodian shall not withdraw, deposited funds from the custodial accounts to pay any Operating Expenses (A) if an Incipient Defeasance Event, Incipient Enforcement Event or Incipient Mandatory Acceleration Event (all as defined herein) has occurred and is continuing or (B) to the extent that after application of such deposited funds, an Incipient Defeasance Event, Incipient Enforcement Event or Incipient Mandatory Acceleration Event would result therefrom; and

(iv) *thereafter*, subject to the conditions provided for in the Security Agreement, to pay amounts due in respect of the Junior Obligations, to pay amounts payable in respect of other securities issued by the Guarantor ranking junior to the Junior Obligations and to pay performance fees payable to the Manager.

"Operating Expenses" means all fees, costs and expenses (including indemnity payments) of the Guarantor, the Issuer and any other subsidiary of the Guarantor that are not Administrative Expenses, including without limitation, (i) all fees, costs and expenses (including indemnity payments) payable or reimbursable by the Guarantor, the Issuer or any other subsidiary of the Guarantor to the Manager (other than the Performance Management Fee), any underwriter, placement agent or dealer, and (ii) all indemnity payments payable to (a) the Custodian and the Securities Intermediary under the Custody and Account Control Agreement, (b) the various agents under the applicable agency agreements, (c) the liquidity providers under the liquidity facilities and (d) the Corporate Services Provider under the Corporate Services Agreement; *provided, however*, that "Operating Expenses" shall not include any fees, costs or expenses that represent a participation in the profits or similar cash flow of the Guarantor, the Issuer or any other subsidiary of the Guarantor.

**"Incipient Defeasance Event"** means the occurrence of any event that after notice, lapse of time and/or the passage of any requisite resolution would result in the occurrence of a Defeasance Event.

**"Incipient Enforcement Event"** means the occurrence of any event that after notice, lapse of time and/or the passage of any requisite resolution would result in the occurrence of either an Enforcement Event or an Automatic Enforcement Event.

**"Incipient Mandatory Acceleration Event"** means the occurrence of any event that after notice, lapse of time and/or the passage of any requisite resolution would result in the occurrence of a Mandatory Acceleration Event.

Following the earlier to occur of (i) the Enforcement Date and (ii) the Mandatory Acceleration Date, all Collateral will be applied as provided for in the Security Agreement and described under "SECURITY—Realization of Collateral following an Enforcement Event or Automatic Enforcement Event" and "—Mandatory Acceleration Event".

Until the earlier to occur of (i) the Enforcement Date and (ii) the Mandatory Acceleration Date, none of the powers conferred on the Security Trustee by the Security Agreement shall be exercisable and the Security Trustee shall not be obliged to monitor compliance with the obligations or covenants of the Guarantor under the Security Agreement.

Under the Security Agreement, prior to the earliest to occur of (i) the Defeasance Date, (ii) the Enforcement Date and (iii) the Mandatory Acceleration Date and only if (a) no Incipient Defeasance Event, Incipient Enforcement Event or Incipient Mandatory Acceleration Event has occurred and is continuing and (b) no Incipient Defeasance Event, Incipient Enforcement Event or Incipient Mandatory Acceleration Event will result therefrom, the Guarantor is permitted to create liens ranking prior to the security interest of the Secured Parties with respect to specific assets to secure the Guarantor's obligations under repurchase agreements, securities lending agreements and Derivative Contracts (the "**Special Liens**"). The Security Agreement provides certain restrictions with respect to the creation of such liens. With respect to repurchase arrangements, securities lending agreements and Derivative Contracts, the Guarantor can only enter into those arrangements if the assets subject to such lien are considered Assets of the Guarantor for purposes of determining compliance with the investment parameters applicable to the management of the Guarantor's portfolio and the obligations of the Guarantor in respect of such repurchase agreements, securities lending agreements or Derivative Contracts are considered Liabilities of the Guarantor for purposes of such parameters. See "DESCRIPTION OF THE ASSET PORTFOLIO". The obligations owed to the counterparties under repurchase agreements, Derivative Contracts and securities lending agreements also rank *pari passu* with all other Senior Obligations and such counterparties shall share pro rata with other holders of Senior Obligations in all the assets distributable to all holders of Senior Obligations, including such counterparties, upon the occurrence of an Enforcement Date or Mandatory Acceleration Date.

Collateral consisting of securities will be held by the Custodian and may be held by the Depository, Euroclear, Clearstream, Luxembourg, or by one or more other custodians and subcustodians in any part of the world. Noteholders should be aware that the Custodian will be a Secured Party and other custodians and/or subcustodians may have liens or charges on those assets in respect of sums due to them.

The Security Trustee shall not be bound to act upon any notice, direction or request served on it by any person pursuant to the provisions of the Security Agreement unless the Security Trustee shall first have been indemnified to its satisfaction against all costs, charges, expenses and liabilities which may be incurred in complying with such notice, direction or request. The Security Trustee shall be indemnified against, and have a lien on the Collateral with respect to, all such costs, charges, liabilities and expenses unless incurred or resulting from the negligence, wrongful act, fraud, willful misconduct or bad faith of the Security Trustee.

Each Noteholder agrees to promptly take such actions and deliver such instruments to any other party to the Security Agreement as may be reasonably requested to effectuate the purposes of the Security Agreement.

The Guarantor may amend the Security Agreement to provide for the issuance of additional series of notes that will be subordinate in right of payment to the Notes, the U.S. CP, the Euro MTNs and the Euro CP and senior in right of payment to the Capital Notes; *provided* that the Requisite Amount of holders of the Capital Notes shall have consented to such issuance in writing and the Rating Agency Condition shall have been satisfied.

#### **Defeasance Event**

Upon the occurrence of a Defeasance Event, the Manager will be required to follow certain guidelines as specified in the Defeasance Guidelines, with respect to the management of the Collateral in order to arrange for the payment in full of the Secured Obligations as they fall due, if and to the extent that the Manager determines that following the Defeasance Guidelines will be in the interest of the Secured Parties, unless and until such time as an Enforcement

Event or Automatic Enforcement Event has occurred and is continuing, (in which case the Enforcement Guidelines referred to below will be followed by the Security Trustee instead of the Manager following the Defeasance Guidelines) or a Mandatory Acceleration Event has occurred and is continuing.

The Security Agreement defines a "Defeasance Event" as:

- (i) any Notes issued by the Issuer or any Euro MTNs issued by the Guarantor are no longer rated at least "AA-" by Standard & Poor's and at least "Aa3" by Moody's; or
- (ii) any U.S. CP issued by the Issuer or Euro CP issued by the Guarantor are no longer rated at least "A-1" by Standard & Poor's and "P-1" by Moody's.

Unless there is a conflict between the interests of the holders of Senior Obligations and the interests of the holders of Junior Obligations, the Manager will endeavor to act in the interest of all Secured Parties although such required actions may be adverse to the interests of certain Secured Parties. To the extent that there is a conflict between the interests of the holders of Senior Obligations and the interests of the holders of Junior Obligations, the Manager will act first in the interest of the holders of Senior Obligations. No assurance can or will be given that the actions required to be taken by the Manager will be sufficient at any time to result in the ratings on any of the Senior Notes being maintained or improved.

The "Defeasance Guidelines" as set forth below provide that upon the occurrence of the Defeasance Date:

(i) to the extent necessary to prevent the occurrence of an Enforcement Event, the Manager will draw down the Available Amount (as defined herein) under the liquidity facilities and invest any amounts not required to meet payments (in full) on the Administrative Expenses and Senior Obligations in certain high quality assets meeting the criteria described in the Security Agreement;

(ii) the Manager shall require the Issuer to cease issuing Notes and U.S. CP and shall require the Guarantor to cease issuing Euro MTNs and Euro CP;

(iii) the Manager will only be required to observe the Capital Adequacy Requirement and certain tests relating to its sensitivity to interest rate and currency rate changes as provided in the Security Agreement and will not be required to observe diversification or concentration limits other than to use reasonable care in ensuring that limits relating to issuer, industry and country concentration are managed;

(iv) on a weekly basis, for the purpose of evaluating liquidation to meet maturing Liabilities, the Manager will prepare and deliver to the Security Trustee a report (the "Defeasance Report") detailing (a) actual and projected Net Cumulative Outflow (as defined herein) and (b) Assets listed in reverse order of maturity and from lowest to highest credit rating;

(v) in the event that payments on the Secured Obligations cannot be met in full from payments received from maturing Assets, the Manager will liquidate Assets in accordance with the Defeasance Report. All defaulted Investment Securities will be liquidated by the Manager. In the event of a default or other termination event on a Derivative Contract, following liquidation, the Manager shall, if required to mitigate market risk, enter into new Derivative Contracts with Eligible Counterparties;

(vi) the Manager shall take whatever actions are considered necessary to maintain the ratings on the Notes, the U.S. CP, the Euro MTNs and the Euro CP; and

(vii) the Manager will engage an internationally recognized accounting firm to prepare a report on a monthly basis for delivery to the Security Trustee and the Rating Agencies confirming the extent to which the Guarantor is in compliance with the parameters, terms and conditions agreed upon by the Rating Agencies and the Guarantor with the consent of the Manager.

In addition, upon the occurrence of a Defeasance Event, the Guarantor shall, if directed by the Manager, cause a redemption in whole (but not in part) of the outstanding Senior Obligations at par if the aggregate principal amount of Senior Obligations then outstanding is 10% or less of the aggregate principal amount of all Senior Obligations outstanding at the time of the occurrence of such Defeasance Event; *provided, however*, that no such Senior Obligation shall be redeemed unless there will be sufficient funds available to redeem in full all of the then outstanding Senior Obligations.

"Available Amount" means, in respect of any liquidity facility at any time, the amount then available for drawing in respect of liquidity loans under such liquidity facility.

**"Net Cumulative Outflow"** equals the amount by which (a) the sum of all scheduled payments in respect of Administrative Expenses, Operating Expenses, principal amount of Liabilities, interest then due and payable on Liabilities, and net amounts payable by the Guarantor with respect to Derivative Contracts exceeds (b) scheduled receipts in respect of Assets (including net payments to be received by the Guarantor with respect to Derivative Contracts).

#### **Enforcement Events**

The Security Agreement defines an **"Enforcement Event"** as:

- (i) default in payment of any interest on or principal of any Notes or Euro MTNs when the same becomes due and payable and such default shall continue for a period of 14 days after written notice thereof is provided to the Guarantor and the applicable principal paying agent by holders of any such Notes or Euro MTNs, as the case may be;
- (ii) any other event which is an event of default under the terms and conditions of the Euro MTNs with respect to which holders of such outstanding Euro MTNs, or if applicable, any Series thereof (represented at a meeting of such holders duly convened or acting without a meeting) have passed a resolution or acted in accordance with the provisions of the applicable agency agreement directing the Security Trustee to enforce the security constituted by the Security Agreement;
- (iii) any other event which is an event of default under the terms and conditions of the Notes with respect to which holders of such outstanding Notes, or if applicable, any Series of Notes (represented at a meeting of such holders duly convened or acting without a meeting) have passed a resolution or acted in accordance with the provisions of the applicable agency agreement directing the Security Trustee to enforce the security constituted by the Security Agreement;
- (iv) the failure by the Guarantor to pay any amount due in respect of any Euro CP within ten (10) days of the due date thereof and the applicable principal paying agent so notifies the Security Trustee;
- (v) the failure by the Guarantor or any of its subsidiaries to pay any amount due in respect of any U.S. CP within ten (10) days of the due date thereof and the applicable principal paying agent so notifies the Security Trustee;
- (vi) any event which is an event of default as defined in a liquidity facility and in respect of which the liquidity provider has directed the Security Trustee to enforce the security constituted by the Security Agreement;
- (vii) the failure by the Guarantor to pay any amount due to a counterparty under a Derivative Contract, a repurchase agreement or a securities lending agreement, in any such case, within 10 days following the due date therefore taking into account any applicable grace periods set forth in such Derivative Contract, repurchase agreement or securities lending agreement, as the case may be;
- (viii) any event which is an event of default (other than a failure to pay) as defined in a Derivative Contract, after taking into account any applicable grace periods as set forth in such Derivative Contract as to which the Guarantor is the "defaulting party" and in respect of which the applicable derivative counterparty has directed the Security Trustee to enforce the security constituted by the Security Agreement;
- (ix) any event which is an event of default (other than a failure to pay), as defined in a repurchase agreement after taking into account any applicable grace periods as set forth in such repurchase agreement, as to which the Guarantor is the "defaulting party" and in respect of which the applicable repurchase agreement counterparty has directed the Security Trustee to enforce the security constituted by the Security Agreement;
- (x) any event which is an event of default (other than a failure to pay), as defined in a securities lending agreement after taking into account any applicable grace periods as set forth in such securities lending agreement, as to which the Guarantor is the "defaulting party" and in respect of which the applicable securities lending counterparty has directed the Security Trustee to enforce the security constituted by the Security Agreement; or

- (xi) any other person so entitled by any Secured Obligation has directed the Security Trustee to enforce the security constituted by the Security Agreement as a result of the occurrence of an event specified in the related document governing the applicable Secured Obligation that permits such person to so enforce the security constituted by the Security Agreement; *provided, however*, that the holders of Junior Obligations and the applicable principal paying agent (whether acting on its own behalf or on behalf of the Junior Obligations) shall have no right to cause an Enforcement Event to occur, to direct the Security Trustee as to the exercise of remedies or to otherwise enforce their rights with respect to the Guarantor, the Issuer or any other subsidiary of the Guarantor unless and until all Senior Obligations have been paid in full.

Upon the occurrence of an Enforcement Event, a notice (such notice, an "Enforcement Notice"), if required under the governing agreement, shall be provided to the Security Trustee as follows:

(i) in the case of an event with respect to the U.S. CP or the Euro CP, the principal paying agent for the U.S. CP or the Euro CP, as applicable, shall provide the Security Trustee with a notice of the occurrence of the events specified in sub-section (iv) or (v) of the preceding paragraph;

(ii) in the case of an event with respect to the Notes or the Euro MTNs, the principal paying agent for the U.S. MTNs or the Notes, as applicable, shall provide the Security Trustee with (A) a notice of the occurrence of the events specified in sub-section (i) of the preceding paragraph or (B) a certified copy of the relevant resolution, signed by the chairman of the meeting or consents of the required percentage of the then outstanding principal amount of the Notes or the Euro MTNs, as applicable, with respect to the occurrence of the event specified in sub-section (ii) or (iii) of the preceding paragraph;

(iii) in the case of an event with respect to a liquidity facility, the applicable liquidity provider thereunder shall provide the Security Trustee with a notice of the occurrence of an event of default thereunder in accordance with the terms thereof;

(iv) in the case of an event with respect to a Derivative Contract, the derivative counterparty thereto shall provide the Security Trustee with a notice of the occurrence of an event of default thereunder;

(v) in the case of an event with respect to a repurchase agreement, the repurchase agreement counterparty thereto will provide the Security Trustee with a notice of the occurrence of an event of default thereunder;

(vi) in the case of an event with respect to a securities lending agreement, the securities lending counterparty thereto will provide the Security Trustee with a notice of the occurrence of an event of default thereunder; and

(vii) in the case of an event with respect to any other Secured Obligation, the person so entitled by such Secured Obligation will provide the Security Trustee with a notice of the occurrence of an event specified in sub-section (xi) of the preceding paragraph.

Upon receipt of any such Enforcement Notice, or upon the Security Trustee becoming aware of the occurrence of an Enforcement Event, the Security Trustee shall (i) immediately provide notice pursuant to the Security Agreement of the occurrence of an Enforcement Event, specifying the Enforcement Event which has occurred, to the Guarantor, the Manager, the Custodian, any repurchase agreement counterparties, any derivative counterparties, any securities lending counterparties, any underwriter, placement agent or dealer with respect to the Senior Notes and the Capital Notes, any liquidity providers, the Corporate Services Provider and each principal paying agent, (ii) immediately request each principal paying agent to provide notice to the holders of Senior Notes and the Capital Notes for which it is a paying agent of the occurrence of an Enforcement Event, (iii) immediately deliver a notice of exclusive control to the Securities Intermediary pursuant to the Custody and Account Control Agreement and (iv) enforce and/or administer the security constituted by the Security Agreement in accordance with and subject to the provisions of the Security Agreement.

The Security Trustee shall be entitled to assume, without any obligation to investigate, that any person giving to it any notice referred to in this section was entitled to do so under the relevant document, that such notice was given in accordance with the terms thereof and that the statements made in any such notice are correct.

### **Automatic Enforcement Events**

Under the Security Agreement, each of the following constitute an "Automatic Enforcement Event":

- (i) a breach by the Guarantor of the capital adequacy requirements as provided in the Security Agreement that the Manager is unable to remedy within five (5) Business Days of the occurrence of such breach (see "DESCRIPTION OF THE ASSET PORTFOLIO—Capital Adequacy Requirement");
- (ii) any Notes or Euro MTNs are no longer rated at least "A-" by Standard & Poor's and at least "A3" by Moody's;
- (iii) any U.S. CP or Euro CP are no longer rated at least "A-2" by Standard & Poor's and at least "P-2" by Moody's;
- (iv) a breach by the Guarantor of any NCO Limit (as defined herein) for the period provided for in the Security Agreement following any date of determination, and the Manager is unable to remedy such breach in accordance with the Security Agreement (see "DESCRIPTION OF THE ASSET PORTFOLIO—Liquidity");
- (v) a breach by the Guarantor of the test relating to its sensitivity to interest rate changes as provided in the Security Agreement and the Manager is unable to remedy such breach within five (5) Business Days (see "DESCRIPTION OF THE ASSET PORTFOLIO—Interest Rate and Currency Risk Sensitivity of Portfolio"); or
- (vi) a breach by the Guarantor of the test relating to its sensitivity to currency rate changes as provided in the Security Agreement and the Manager is unable to remedy such breach within five (5) Business Days (see "DESCRIPTION OF THE ASSET PORTFOLIO—Interest Rate and Currency Risk Sensitivity of Portfolio").

In the event that an officer of the Security Trustee assigned to its corporate trust department becomes aware of the occurrence of an Automatic Enforcement Event, the Security Trustee shall verify the occurrence of such Automatic Enforcement Event with the Manager as soon as practicable on the day on which such officer becomes so aware. The Security Trustee shall be deemed to have verified the occurrence of an Automatic Enforcement Event with the Manager if it shall have received a notice from the Manager identifying such event and certifying that such event has occurred. Upon receiving any such notice from the Manager or otherwise becoming aware (as aforesaid) of such event, the Security Trustee shall (i) immediately provide notice pursuant to the Security Agreement of the occurrence of such Automatic Enforcement Event, specifying the Automatic Enforcement Event which has occurred, to the Guarantor, the Custodian, the Securities Intermediary, any repurchase agreement counterparties, any derivative counterparties, any securities lending counterparties, any underwriter, placement agent or dealer with respect to the Senior Notes and Capital Notes, any liquidity providers, the Corporate Services Provider and each principal paying agent, (ii) immediately request each principal paying agent to provide notice to the holders of Senior Notes and Capital Notes, for which it is a paying agent of the occurrence of an Automatic Enforcement Event, (iii) immediately deliver a notice of exclusive control to the Securities Intermediary pursuant to the Custody and Account Control Agreement and (iv) enforce and/or administer the security constituted by the Security Agreement in accordance with and subject to the provisions of the Security Agreement.

### **Realization of Collateral following an Enforcement Event or Automatic Enforcement Event**

Upon the occurrence of an Enforcement Event or Automatic Enforcement Event, the Security Trustee or the Receiver appointed by the Security Trustee shall enforce the Security Agreement and shall retain, liquidate and replace the Collateral and shall make distributions to the Secured Parties in accordance with the terms of the Security Agreement. See "SECURITY—Enforcement Events".

The Security Trustee or the Receiver, as the case may be, shall follow certain guidelines (the "Enforcement Guidelines") upon the occurrence of an Enforcement Date if and to the extent that the Security Trustee or the Receiver, as the case may be, determines that following the Enforcement Guidelines will be in the interest of the Secured Parties. To the extent that there is a conflict between the interests of the holders of Senior Obligations and the interests of the holders of Junior Obligations, the Security Trustee or the Receiver, as the case may be, will act first in the interest of the holders of Senior Obligations.

The Enforcement Guidelines provide that upon the occurrence of an Enforcement Date:

- (i) the Security Trustee or the Receiver, as the case may be, will draw down any Available Amount under the liquidity facilities;



- (ii) the Security Trustee shall require the Issuer to cease issuing Notes and U.S. CP and shall require the Guarantor to cease issuing Euro MTNs and Euro CP;
- (iii) the Security Trustee or the Receiver, as the case may be, will refer to the projected Net Cumulative Outflow (as determined as set forth in the Security Agreement) as provided by the Manager and will sell Investment Securities to the extent necessary to meet Net Cumulative Outflow and terminate or offset all Derivative Contracts relating to the sold Investment Securities;
- (iv) to the extent that the Available Amount has been drawn down under the liquidity facilities but has not been applied towards Administrative Expenses and Senior Obligations, such unapplied amount will be invested in certain high quality assets meeting the criteria described in the Security Agreement;
- (v) Investment Securities will be sold in accordance with suggested priorities agreed from time to time between the Security Trustee and the Rating Agencies, subject to the discretion of the Security Trustee or the Receiver, as the case may be;
- (vi) no diversification or concentration limits will apply to the Collateral but the Security Trustee or the Receiver, as the case may be, will limit the extent of the Guarantor's exposure to any one issuer, industry or country;
- (vii) any defaulted Investment Securities will be sold and the related Derivative Contracts will be terminated;
- (viii) the Security Trustee or the Receiver, as the case may be, will terminate Derivative Contracts where the respective Derivative Contract counterparty is in default and will enter into replacement Derivative Contracts with Eligible Counterparties; and
- (ix) the Security Trustee or the Receiver, as the case may be, will observe the requirements related to sensitivity tests and capital adequacy requirements (see "DESCRIPTION OF THE ASSET PORTFOLIO—Capital Adequacy Requirement").

In addition, upon the occurrence of an Enforcement Date, the Guarantor shall, if directed by the Security Trustee or the Receiver, as the case may be, cause a redemption in whole (but not in part) of the outstanding Senior Obligations at par if the aggregate principal amount of Senior Obligations then outstanding is 10% or less of the aggregate principal amount of all Senior Obligations outstanding on such Enforcement Date; *provided, however*, that no such Senior Obligation shall be redeemed unless there will be sufficient funds available to redeem in full all of the then outstanding Senior Obligations.

#### **Mandatory Acceleration Event**

Upon the occurrence of a Mandatory Acceleration Event, all Senior Obligations shall become immediately due and payable and the Guarantor will, at the direction of the Security Trustee or the Receiver, as the case may be, cause a redemption in whole (but not in part) of the outstanding Senior Obligations at par net of any unamortized original issue discount or premium; *provided, however*, that if there are insufficient funds available to redeem in full all of the then outstanding Senior Obligations, all such Senior Obligations shall become immediately due and payable, the Security Trustee shall collect and cause the collection of the proceeds of the Collateral and all amounts received on the Collateral shall be applied towards the payment of the Senior Obligations on a *pro rata* basis based on the amounts which have become so due and payable, in accordance with the priority of payments set forth in the Security Agreement.

Under the Security Agreement, either of the following constitutes a "Mandatory Acceleration Event":

- (i) any bankruptcy or insolvency event with respect to the Guarantor or any of its subsidiaries as described in the Security Agreement; or
- (ii) any Notes issued by the Issuer or Euro MTNs issued by the Guarantor are no longer rated at least "BB-" by Standard & Poor's and at least "Ba3" by Moody's.

#### **Liquidation and Sale of Collateral**

Following the earlier to occur of (a) the Enforcement Date and the provision of a notice of exclusive control to the Securities Intermediary pursuant to the Custody and Account Control Agreement and in accordance with the Enforcement Guidelines and (b) the Mandatory Acceleration Date, the Security Trustee shall have the exclusive right to exercise any and all rights with respect to the Collateral and, in connection therewith, may, subject to the Security

Agreement, elect to preserve all or any part of the Collateral and/or collect and convert into cash all or any part of the Collateral. Subject, in the case of certain Collateral which is situate in Jersey, to the provisions of the Security Interests (Jersey) Law 1983, as amended, in respect of security interests granted or expressed to be granted in respect of such Collateral (as described in the Security Agreement), if the Security Trustee collects and converts into cash all or any part of the Collateral, the Security Trustee shall sell, assign and deliver the whole or any part of the Collateral at such place or places as the Security Trustee deems best, and for cash, at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required by applicable law and cannot be waived). Any sale shall be conducted in a commercially reasonable manner. To the extent permitted by applicable law, the Security Trustee shall be authorized at any such sale to restrict the prospective bidders or purchasers to persons to whom such sale may be made without registration under any applicable securities laws. The Security Trustee shall be entitled to obtain from the Guarantor all records and documentation in the possession of the Guarantor pertaining to any Collateral. Upon consummation of any such sale, the Security Trustee shall have the right to assign, transfer, endorse and deliver to the purchaser or purchasers thereof, free and clear of any lien thereon, the Collateral so sold. To facilitate the foregoing, under the Security Agreement the Guarantor has irrevocably appointed and empowered the Security Trustee as its agent and attorney-in-fact, with full power of substitution, for the purpose of executing, assigning and delivering and doing all things necessary to transfer title to the Collateral, or any part thereof, in connection with a sale thereof pursuant thereto. Each purchaser at any such sale shall hold the property purchased by it absolutely free from any claim or right on the part of the Guarantor, and under the Security Agreement, the Guarantor has irrevocably waived all rights of redemption, stay, marshalling of assets or appraisal that it has had or may at any time in the future have under applicable law now existing or hereafter enacted.

*Liquidity Loans.* Upon the occurrence of the Enforcement Date, the Security Trustee shall (to the extent that the relevant liquidity facility has not been cancelled by the relevant liquidity provider) on behalf of, and as attorney for, the Guarantor, draw liquidity loans under each liquidity facility up to the Available Amount and shall specify repayment dates for such liquidity loans. If the Guarantor has more than one liquidity facility, the Security Trustee shall ensure that, as between liquidity facilities, any drawings are made to the aggregate available commitments under such liquidity facilities. Liquidity loans drawn on or after the Enforcement Date shall be used in order to discharge the Guarantor's obligations to pay sums due and owing in respect of Administrative Expenses and Senior Obligations (including without limitation or duplication, interest and fees under the liquidity facilities). If and to the extent that all or any portion of the liquidity loans drawn are not immediately required by the Security Trustee for the purpose set forth above, the Security Trustee shall invest such amount in high quality assets meeting the criteria described in the Security Agreement and apply such amounts to pay Administrative Expenses and Senior Obligations (including without limitation or duplication, interest and fees under the liquidity facilities) in accordance with the Security Agreement.

In addition to the remedies granted in the Security Agreement, but subject to the provisions in the Security Agreement regarding limited recourse and subordination, if an Enforcement Date or a Mandatory Acceleration Date occurs, the Security Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect amounts then due and thereafter to become due from the Guarantor under the Security Agreement or any of the other Transaction Documents (including the exercise of all rights available to Secured Parties under applicable law) or to enforce performance and observance of any obligation, agreement or covenant of the Guarantor under any of the Transaction Documents.

If the Security Trustee has initiated any proceeding to enforce any right or remedy under the Security Agreement, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Security Trustee, then in every such case the Guarantor and the Secured Parties shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Security Agreement, and thereafter all rights and remedies of the Secured Parties shall be continued as though no such proceeding had been instituted.

Subject to the provisions of the Security Agreement regarding subordination, no right or remedy conferred or reserved in the Security Agreement is intended to be exclusive of any other available right or remedy, but each right and remedy shall be cumulative and shall be in addition to other rights or remedies given under the Security Agreement or any collateral or existing at law or in equity or otherwise; *provided, however*, that the only right of any Secured Party to receive payments in respect of any Secured Obligations shall be as provided in the Security Agreement. No delay in exercising or omission to exercise any right or power accruing under the Security Agreement shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient, and the exercise of or the beginning of the exercise of any right or power or remedy shall not be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient, and the exercise of or the beginning of

the exercise of any right or power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy.

The Secured Obligations and all other obligations of the Guarantor and/or the Issuer are limited recourse obligations of the Guarantor and/or the Issuer, as applicable. Secured Parties will have recourse only to the Collateral. Once all Collateral and any recoveries that may from time to time be received in respect thereof have been applied in accordance with the Security Agreement any remaining unpaid amounts due in respect of the obligations of the Guarantor and the Issuer shall be deemed extinguished, and no recourse may be had in connection therewith against the Guarantor or the Issuer. Each holder of a Secured Obligation, by its acceptance thereof, will be deemed to have agreed to these provisions.

#### **Adequacy of Collateral**

Neither the Issuer nor the Guarantor is expected to have any assets or business other than the Investment Securities and Derivative Contracts constituting the Collateral as a source of payment for the Senior Obligations or as a source of proceeds following any Defeasance Date, Enforcement Date or Mandatory Acceleration Date. The Security Agreement requires the Investment Securities and counterparties to the Derivative Contracts to meet certain rating requirements and the Guarantor to meet certain gearing requirements designed to ensure that the value of the Collateral will be sufficient for payment of the Senior Obligations in full. There can be no assurance, however, that the value of the Collateral will be sufficient for such purpose. The value of the Investment Securities may be adversely affected by defaults or other adverse credit events with respect to the underlying obligors. In addition, the maturities of the Senior Obligations and related Derivative Contracts of the Issuer and the Guarantor, as the case may be, will not match those of the Investment Securities and related Derivative Contracts. Accordingly, changes in market rates can result in the value of the Investment Securities and related Derivative Contracts declining without a corresponding decline in the Senior Obligations and related Derivative Contracts or a corresponding increase in the Senior Obligations and related Derivative Contracts without a corresponding increase in the value of the Investment Securities and related Derivative Contracts. In addition, the Guarantor may be required to sell certain Investment Securities during unfavorable market and price conditions in order to maintain compliance with gearing or rating requirements. Such forced dispositions, combined with general market fluctuations, may result in the value of the Collateral being insufficient to provide for the timely and full payment of all amounts owing to holders of Notes as they come due. In addition, under certain circumstances described herein and in the Security Agreement, the Guarantor will be permitted to create Special Liens. Any assets subject to a Special Lien will not be available to pay amounts to any other Secured Party unless and until the obligations secured by such Special Lien have been fully paid. Accordingly, the existence of Special Liens may reduce the amount of assets which will be available to pay amounts due in respect of all its other obligations, including the Notes. See "SECURITY".

Derivative Contracts, with credit requirements with respect to the counterparties to such contracts, are used to hedge against the interest rate risk and currency risk with respect to the Investment Securities.

The description of the security structure set out above is subject to, and qualified by, the detailed terms of the Security Agreement.

#### **DESCRIPTION OF THE ASSET PORTFOLIO**

The Guarantor's portfolio of investments may be comprised of (i) bonds, notes, debentures, convertible instruments, certificates of interests or participations, instruments and other types of securities having characteristics similar to the foregoing (collectively, "Investment Securities") and (ii) options, futures and other hedging or derivative instruments, including interest rate and currency swaps, swaptions, credit insurance or other credit derivative products (collectively, the "Derivative Contracts" and, together with the Investment Securities, the "Assets"). When acquired by the Guarantor, each Asset must meet certain criteria, including that such Asset must (subject as provided below) (i)(a) carry a rating of at least "A-" by Standard & Poor's and at least "A3" by Moody's, (b) carry a rating of at least "A-" by Standard & Poor's and otherwise be acceptable to Moody's, (c) carry a rating of at least "A3" by Moody's and otherwise be acceptable to Standard & Poor's, or (d) be with an Eligible Counterparty (unless any such Asset is designated as a Reserve Asset pending credit evaluation by the Rating Agencies, see "— Rating Category Limits" below) and (ii) with respect to Derivative Contracts, provide for payment in any one of the following currencies ("Eligible Asset Currencies"): Australian Dollars, Canadian Dollars, Danish Kroner, Euro (which shall include each of the Euro-Linked Currencies (as defined herein)), Japanese Yen, New Zealand Dollars, Norwegian Kroner, Pounds Sterling, Swedish Kronor, Swiss Francs and U.S. Dollars, or such other currency as may satisfy the Rating Agency Condition. "Euro-Linked Currencies" shall mean the national currency units of member

states of the European communities that adopt or have adopted the Euro as their currency in accordance with legislation of the European Union relating to European Economic and Monetary Union.

Any Investment Security or Derivative Contract acquired by the Guarantor and satisfying the criteria provided for under the Security Agreement, shall be referred to as an "Eligible Investment Security" or "Eligible Derivative Contract" and, collectively, as "Eligible Assets".

*Single Risk Limits.* Except for certain sovereign obligations, the following limits are applicable to the portfolio:

<u>Rating of the Largest Obligor Group</u>	<u>Maximum Concentration of Assets by Obligor Group*</u>
AAA/Aaa.....	10%
AA/Aa.....	7.5%
A/A.....	5%
BBB/Baa.....	3%
BB/Ba.....	1%

  

<u>Rating Category</u>	<u>Largest Number of Obligor Groups* not to exceed Net Assets</u>
AAA/Aaa or below.....	1
AA/Aa or below.....	2
A/A or below.....	3
BBB/Baa or below.....	5
BB/Ba or below.....	10

\*"Obligor Group" with respect to any issuer of an Investment Security or counterparty with respect to a Derivative Contract, means such issuer or counterparty, as the case may be, and all affiliates of such issuer or counterparty; *provided, however*, that any such affiliate of such issuer or counterparty shall not be considered a part of such Obligor Group if the debt obligations of such affiliate are separately rated by the Rating Agencies (which separate rating is not based on a guarantee or credit support of such issuer or counterparty).

*Rating Category Limits.* Assets shall be acquired and disposed of such that the Assets comply with the following maximum concentration limits.

<u>Rating</u>	<u>Maximum Percentage</u>
AAA/Aaa or below.....	100%
AA/Aa or below.....	75%
A/A or below.....	50%
BBB/Baa or below.....	10%
BB/Ba.....	2.5%
Reserve Assets.....	5%

\*"Reserve Assets": Any Asset which is downgraded below "BB-" by Standard & Poor's or below "Ba3" by Moody's may be held as a "Reserve Asset". In addition, Assets may be acquired, and held as Reserve Assets, which do not have a rating on the date of acquisition if a rating has been requested. Any Asset having a rating below "BB-" from Standard & Poor's or below "Ba3" from Moody's which is not held as a Reserve Asset shall be disposed of within five (5) Business Days of such Asset having been downgraded. The Guarantor applies a 100% capital charge in respect of all Reserve Assets.

**Weighted Average Life Limits by Market Value**

The weighted average life of Eligible Assets will not exceed seven years.

<u>Average Life</u>	<u>Maximum Percentage</u>
Up to and including 10 years.....	100%
Greater than 10 years.....	15%
Greater than 20 years.....	5%
Greater than 30 years.....	0%

### **Regional and Country Risk Limits by Market Value**

The Guarantor must limit its exposure by market value to Eligible Assets (i) guaranteed by corporate or financial entities incorporated or otherwise established under the laws of certain countries, based upon rating or (ii) in the case of asset backed securities, underlying assets originated within certain countries, based upon rating. These limits are described as follows:

<u>Sovereign State or Supranational/Foreign Currency Rating</u>	<u>Maximum Percentage</u>
United States of America.....	100%
AAA/Aaa.....	50%
AA/Aa.....	25%
A/A.....	10%
BBB/Baa.....	5%
BB/Ba.....	3%

### **Corporate Sector Risk Limits**

The Guarantor must limit its exposure to corporate obligations by market value to not more than 30% of the Collateral. In addition, no industry within the corporate sector can represent more than 5% by market value of the Collateral.

### **Financial Institution Sector Limits**

The Guarantor must limit its exposure to financial institution obligations by market value to no more than 60% of the Collateral.

### **Structured Finance Sector Limits**

The Guarantor's overall exposure to obligations of issuers in the structured finance sector is not specifically limited, however the Guarantor must comply with structured finance sub-sector risk limits acceptable to the Rating Agencies.

### **Funding**

The Guarantor may in the aggregate issue varying amounts of debt securities, subject to compliance with the Capital Gearing Requirement (as defined herein). The total amount of debt securities that may be issued by the Guarantor may be increased in the future subject to the Guarantor's compliance with the Capital Gearing Requirement described below. See "—Capital Gearing Requirement".

In addition to the Program, the Issuer has entered into a U.S. commercial paper program on behalf of the Guarantor, and the Guarantor has entered into Euro medium term note program, a Euro commercial paper program and a capital notes program, each (other than the capital notes program which has a maximum program size of U.S. \$2,000,000,000) with a maximum program size of U.S. \$5,000,000,000.

The Issuer and the Guarantor expect to receive the following short term and long term ratings for their medium-term note programs and commercial paper programs, respectively:

	<b>Short Term Ratings</b>	<b>Long Term Ratings</b>
Standard & Poor's.....	"A-1+"	"AAA"
Moody's.....	"P-1"	"Aaa"

The long-term rating addresses the ability of the Issuer to make payment of interest and ultimate payment of principal due to Noteholders. The short term rating addresses the ability of the Issuer to make timely payments due to Noteholders. These ratings are subject to revision or withdrawal at any time.

The Manager has established a set of operating limits which have been acknowledged by the Rating Agencies as a condition of rating the Guarantor's debt securities. These operating limits are additional to, and more restrictive than, those contained in the Transaction Documents. The Manager intends to carry out its duties under the Management Agreement within these operating limits; failure to comply with these operating limits may result in the downgrade of the Senior Notes and the Capital Notes. The operating limits may be changed without the consent of, or notice to, the Noteholders, but only if the Rating Agency Condition is satisfied.

The obligations to make payments to (i) holders of Senior Notes, (ii) the holders of the Capital Notes and (iii) the other Secured Parties are secured pursuant to and on the terms of the Security Agreement.

The Guarantor may also in certain circumstances (i) lend assets in order to earn any commission or fee offered for such loan arrangements, (ii) enter into master repurchase agreements and (iii) enter into borrowing arrangements secured against specific assets. See "SECURITY".

### **Interest Rate and Currency Risk Sensitivity of Portfolio**

The Guarantor is required to observe risk management procedures which are designed to hedge interest rate and currency risks in respect of the Guarantor's portfolio. On each Business Day, the Manager determines the net sensitivity to interest rate changes of the Assets (including Derivative Contracts) and Liabilities of the Guarantor, by determining the effect of a one basis point shift of the zero coupon yield curve on a parallel basis and at independent points of the relevant yield curve at specified intervals. A calculation is also made on each Business Day of the net sensitivity of the Assets (including Derivative Contracts) and Liabilities to a change in the value of any Eligible Asset Currency of one percent relative to all other Eligible Asset Currencies.

If the foregoing calculation relating to sensitivity to interest rate changes results in a change of 0.2 basis points or more in Net Assets, or if the foregoing calculation relating to currency sensitivity results in a change of 2.0 basis points or more in Net Assets, then the Manager is required to use all reasonable efforts for a period of five (5) Business Days to take such steps as will result in such calculations producing changes of less than 0.2 basis points and 2.0 basis points, respectively. If at the end of this period the Manager has not been able to produce such results, the Manager is required to notify the Security Trustee and an Automatic Enforcement Event will result therefrom.

"Liabilities" shall mean, collectively and without duplication, (i) Senior Obligations (other than Derivative Contracts), (ii) Junior Obligations, (iii) obligations with respect to Administrative Expenses and (iv) obligations with respect to Operating Expenses.

"Net Assets" shall mean an amount equal to (i) the market value of the Investment Securities plus (ii) the market value of the Derivative Contracts (whether positive or negative) minus (iii) the market value of the Senior Obligations (other than Derivative Contracts) minus (iv) Administrative Expenses.

### **Counterparty Risk**

The Guarantor may enter into Derivative Contracts only with Eligible Counterparties. "Eligible Counterparties" are (i) entities (a) whose long-term unsecured debt or derivatives obligations (I) are rated at least "BBB-" by Standard & Poor's and at least "Baa3" by Moody's, (II) are rated at least "BBB-" by Standard & Poor's and are otherwise acceptable to Moody's or (III) are rated at least "Baa3" by Moody's and are otherwise acceptable to Standard & Poor's or (b) if such entity has no rating for its long term unsecured debt or derivatives obligations, whose short-term unsecured debt or derivatives obligations (I) are rated at least "A-1" by Standard & Poor's and "P-1" by Moody's, (II) are rated at least "A-1" by Standard & Poor's and are otherwise acceptable to Moody's or (III) are rated "P-1" by Moody's and are otherwise acceptable to Standard & Poor's, (ii) certain exchanges, clearing houses, settlement systems or such other entities as may satisfy the Rating Agency Condition, (iii) counterparties whose payment obligations are fully, irrevocably and unconditionally guaranteed by a counterparty which is itself an Eligible Counterparty and (iv) such other counterparties as may satisfy the Rating Agency Condition.

The aggregate market value of Derivative Contracts which may be entered into with any one counterparty is limited by reference to maximum concentration limits based on the rating of the relevant counterparty and any other credit exposure which the Guarantor may have to the relevant counterparty as the Guarantor or guarantor of an Asset.

The market value of hedging instruments is included in determining compliance with the Capital Gearing Requirement, except that where the aggregate market value of all hedging instruments entered into with a particular counterparty, combined with the aggregate market value of any other credit exposure which the Guarantor may have to such counterparty as the Guarantor or guarantor of an Asset exceeds the limits set forth above under "—Single Risk Limits", such excess is excluded from the Eligible Assets.

### **Liquidity**

The Manager is required to ensure that the acquisition and disposition of Assets and the issuance of Liabilities and other contractual obligations of the Guarantor and the Issuer shall be managed such that during any period of (i) one (1) Business Day, (ii) five (5) consecutive Business Days, (iii) ten (10) consecutive Business Days or (iv) fifteen (15) consecutive Business Days Net Cumulative Outflow does not exceed specified limits (each an "NCO Limit" and, collectively, the "NCO Limits").

The NCO Limit applicable to one (1) Business Day shall be equal to the sum of (i) the aggregate Available Amount of Committed Liquidity (as defined herein), and (ii) the aggregate amount of Liquidity Cash Deposits (as defined herein).

The NCO Limit applicable to five (5) consecutive Business Days shall be equal to the sum of (i) the aggregate Available Amount of Committed Liquidity, and (ii) the aggregate amount of Liquidity Cash Deposits.

The NCO Limit applicable to ten (10) consecutive Business Days shall be equal to the sum of (i) the aggregate Available Amount of the Committed Liquidity, (ii) the aggregate amount of Liquidity Cash Deposits, and (iii) the discounted market value of Liquidity Eligible Assets (as defined herein).

The NCO Limit applicable to fifteen (15) consecutive Business Days shall be equal to the sum of (i) the aggregate Available Amount of the Committed Liquidity, (ii) the aggregate amount of Liquidity Cash Deposits, (iii) the discounted market value of Liquidity Eligible Assets, and (iv) the discounted market value of Additional Liquidity Eligible Assets (as defined herein).

If at any time the Manager determines that any of the NCO Limits are exceeded for any applicable period, the Manager must use all reasonable efforts to arrange for compliance with the applicable NCO Limits within a period of five (5) Business Days. If any NCO Limit has been exceeded in the thirty (30) Business Day period following any such determination and the Manager is unable to remedy the situation within five (5) Business Days, an Automatic Enforcement Event shall occur.

### **Committed Liquidity and Liquidity Cash Deposits**

The Guarantor has entered into committed liquidity facilities which provide for the making of short-term advances at any time, including upon the occurrence of a Defeasance Event or an Enforcement Event, and shall be solely available to enable the Guarantor and the Issuer to pay amounts due in respect of Senior Obligations and Administrative Expenses. The claims of the banks which are party to these liquidity facilities are secured under the Security Agreement and rank *pari passu* with the Senior Notes. The liquidity facilities do not provide for any advances to pay any amounts due with respect to the Capital Notes.

If any provider of Committed Liquidity is downgraded below a credit rating of "A-1+" by Standard & Poor's or "P-1" by Moody's, and a replacement provider of Committed Liquidity is not found within 30 days, all NCO Limits shall be reduced by the amount of Committed Liquidity provided by the downgraded provider of Committed Liquidity.

As used herein, "Committed Liquidity" means committed liquidity facilities (a) that are provided by banks or other financial institutions whose short-term senior unsecured debt obligations are rated "A-1+" by Standard & Poor's and "P-1" by Moody's or such other bank or financial institution as may satisfy the Rating Agency Condition, (b) that require such financial institutions to provide advances thereunder, except under circumstances which are permitted by the Rating Agencies, and (c) such other facilities or arrangements that constitute Committed Liquidity, to the extent and in the manner acceptable to the Rating Agencies.

The Guarantor may place cash on deposit, up to an aggregate amount agreed from time to time with the Rating Agencies, so that it qualifies as Liquidity Cash Deposits. Each such Liquidity Cash Deposit shall be available to enable the Guarantor to pay any amount owing by the Guarantor and the Issuer. To qualify as "Liquidity Cash Deposits", the deposit must fulfill the following criteria: the deposit taker is an entity with a short-term rating of "A-1+" by Standard & Poor's and "P-1" by Moody's, the deposit taker has agreed to waive any right of set-off of the

deposit against other obligations of the Guarantor, the deposit is secured for the benefit of the Security Trustee, and the notice period required to withdraw the deposit must be no longer than the notice period required to draw Committed Liquidity.

#### **Liquidity Eligible Assets and Additional Liquidity Eligible Assets**

Certain highly liquid Eligible Investment Securities may be designated as Liquidity Eligible Assets or Additional Liquidity Eligible Assets. The Guarantor will use the discounted market value of any Liquidity Eligible Assets and Additional Liquidity Eligible Assets in management of liquidity in compliance with the NCO Limits, as described above. To qualify as Liquidity Eligible Assets or Additional Liquidity Eligible Assets, the Eligible Investment Securities must satisfy the parameters approved by the Guarantor and the Rating Agencies. These parameters may include type of asset, currency, minimum rating and maximum average life.

"Liquidity Eligible Assets" shall mean high quality liquid assets that are agreed upon from time to time by the Rating Agencies and the Guarantor, with the approval of the Manager.

"Additional Liquidity Eligible Assets" shall mean high quality liquid assets (other than Liquidity Eligible Assets) that are agreed upon from time to time by the Rating Agencies and the Guarantor, with the approval of the Manager.

#### **Capital Adequacy Requirement**

The Guarantor is subject to the Capital Adequacy Requirement. The market value of the Guarantor's Asset portfolio is determined at the close of business on each Business Day. If on any Business Day the Capital Adequacy Requirement is not met, all reasonable efforts shall be used to cause the Guarantor to rectify the position within five (5) Business Days. If the failure has not been rectified within five (5) Business Days, an Automatic Enforcement Event shall occur. Investment Securities are marked to market at the bid side of the price, Liabilities will be valued at par net of any unamortized issue discount or premium and exchange-traded Derivative Contracts will be marked to market at mid-market prices, each as provided for by the Security Agreement. The Guarantor must comply with the "Capital Adequacy Requirement" which is set forth below:

**Capital Adequacy Requirement.** The Capital Adequacy Requirement is satisfied on any Business Day if:

$$Z + B - D \geq \text{Zero},$$

where:

1. **Z** equals the adjusted market value of the Eligible Investment Securities after adjusting the market value of each such asset by adjustment factors, as agreed from time to time with the Rating Agencies, based upon parameters including its credit rating and term to maturity, the position within the capital structure of the transaction, the structural complexity, the portfolio wide concentration with respect to the related obligor, the overall diversity of the portfolio, and the liability maturity profile;
2. **B** equals the aggregate market value (whether positive (in-the-money) or negative (out-of-the-money)) of the Eligible Derivative Contracts after adjusting the market value of each contract by adjustment factors, as agreed from time to time with the Rating Agencies, based upon the credit rating of the related Eligible Counterparty and certain other provisions of the applicable Eligible Derivative Contract; and
3. **D** equals the aggregate market value of the issued and outstanding Senior Obligations (other than Derivative Contracts) plus an allowance for the exposure of the Guarantor to certain fees.

The above-mentioned market value determinations are made by the Manager in accordance with the procedures set forth under the Security Agreement, which procedures define acceptable market sources and pricing models. Where market prices are readily available, positions are marked to market based on price quotes obtained from credible pricing sources, including without limitations, ISMA, IDC, Bloomberg, Reuters, Telerate, brokers and market-makers. For Investment Securities, Liabilities and Derivative Contracts where market prices cannot be obtained on a regular basis, positions are marked to market on a discounted cash flow basis as provided for by the Security Agreement.



### **Capital Gearing Requirement**

The Guarantor maintains operating limits with respect to the Senior Obligations issued relative to the Junior Obligations (the "**Capital Gearing Requirement**"). If on any Business Day the Capital Gearing Requirement is not met, all reasonable efforts shall be used to cause the Guarantor to rectify the position within five (5) Business Days. If a failure to meet the Capital Gearing Requirement has not been rectified within five (5) Business Days, no additional Senior Obligations may be issued or incurred until such failure has been rectified.

*Capital Gearing Requirement.* The Guarantor's Assets and Liabilities shall be managed in order to satisfy the Capital Gearing Requirement.

The Capital Gearing Requirement is satisfied on any Business Day if:

$$A + B - D \geq \text{Zero},$$

where:

1. **A** is the adjusted market value of the Eligible Investment Securities after adjusting the market value of each Asset by adjustment factors, as agreed from time to time with the Rating Agencies, based upon parameters including its credit rating and term to maturity, the position within the capital structure of the transaction, the structural complexity, the portfolio wide concentration with respect to the related obligor, the overall diversity of the portfolio, and the liability maturity profile;
2. **B** equals the adjusted market value of the Eligible Derivative Contracts (whether positive (in-the-money) or negative (out-of-the-money)) after adjusting the market value of each contract by adjustment factors, as agreed from time to time with the Rating Agencies, based upon the credit rating of the related Eligible Counterparty and certain other provisions of the applicable Eligible Derivative Contract; and
3. **D** is the market value of the Senior Obligations (other than Derivative Contracts) plus an allowance for the exposure of the Guarantor to certain fees.

The Manager shall advise the Security Trustee in writing of the current adjustment factors, and will advise the Security Trustee of any changes to such factors as agreed from time to time with the Rating Agencies, to be applied for purposes of satisfying the foregoing Capital Gearing Requirement.

### **Adjustments to Investment Parameters**

From time to time, the Manager may propose to the Rating Agencies revisions to the above-mentioned investment parameters. If the Rating Agency Condition is satisfied with respect to any such revisions, such revisions shall become applicable with respect to the management of the Guarantor's investment portfolio. In addition, the Rating Agencies may, from time to time, provide revisions to the above-mentioned investment parameters. In connection therewith, such revisions provided for by the Rating Agencies shall also become applicable to the Guarantor's investment portfolio. Any revision to such investment parameters will be made subject to prior notice to the Security Trustee and satisfaction of the Rating Agency Condition.

### **Compliance**

The Guarantor will obtain monthly reports of independent certified public accountants to determine its compliance with the investment portfolio requirements described herein under "DESCRIPTION OF THE ASSET PORTFOLIO".

### **Competition**

Currently, there are other special purpose vehicles that are engaged in substantially similar investment businesses as the Guarantor, and it is expected that additional investment vehicles will be formed in the future. There can be no assurance that increased competition for the same opportunities targeted by the Guarantor will not have an impact on the Guarantor's ability to take advantage of those investment opportunities.

## SPECIAL PROVISIONS RELATING TO FOREIGN CURRENCY NOTES

### General

The following provisions, which apply to Foreign Currency Notes, supplement the description of general terms and conditions of Notes set forth above under the heading "DESCRIPTION OF THE NOTES".

THIS CONFIDENTIAL OFFERING CIRCULAR DOES NOT DESCRIBE ALL RISKS OF AN INVESTMENT IN FOREIGN CURRENCY NOTES THAT RESULT FROM SUCH NOTES BEING DENOMINATED IN A FOREIGN CURRENCY OR CURRENCY UNIT EITHER AS SUCH RISKS EXIST AT THE DATE OF THIS CONFIDENTIAL OFFERING CIRCULAR OR AS SUCH RISKS MAY CHANGE FROM TIME TO TIME. ANY ADDITIONAL MATERIAL FOREIGN CURRENCY RISKS PERTAINING TO A PARTICULAR NOTE DENOMINATED IN A FOREIGN CURRENCY WILL BE DISCLOSED IN THE PRICING SUPPLEMENT REGARDING SUCH NOTE. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISKS ENTAILED IN AN INVESTMENT IN FOREIGN CURRENCY NOTES AND AS TO ANY MATTERS THAT MAY AFFECT THE PURCHASE OR HOLDING OF A FOREIGN CURRENCY NOTE OR THE RECEIPT OF PAYMENTS OF PRINCIPAL OF AND ANY PREMIUM AND INTEREST ON A FOREIGN CURRENCY NOTE IN A SPECIFIED CURRENCY. FOREIGN CURRENCY NOTES ARE NOT AN APPROPRIATE INVESTMENT FOR INVESTORS WHO ARE UNSOPHISTICATED WITH RESPECT TO FOREIGN CURRENCY TRANSACTIONS.

Unless otherwise indicated in the applicable Pricing Supplement, a Foreign Currency Note will not be sold in, or to a resident of, the country of the Specified Currency in which such Note is denominated.

The authorized denominations of Foreign Currency Notes will be indicated in the applicable Pricing Supplement.

Specific information pertaining to the foreign currency or currency unit in which a particular Foreign Currency Note is denominated, including historical exchange rates and a description of the currency and any exchange controls, will be described in the applicable Pricing Supplement. Such information contained therein shall be furnished as a matter of information only and should not be regarded as indicative of the range of or trends in fluctuations in currency exchange rates that may occur in the future.

### CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a general summary of certain of the anticipated material United States federal income tax consequences of the purchase, ownership and disposition of the Notes by U.S. Holders (as defined below). Additional United States federal income tax consequences applicable to particular Notes (e.g., Dual Currency Notes and certain types of Floating Rate Notes and Indexed Notes) may be set forth in the applicable Pricing Supplement. This summary is for general information only and is based upon the Internal Revenue Code of 1986, as amended (the "Code"), applicable income tax regulations, published rulings, administrative pronouncements and court decisions, all as in effect on the date hereof and all of which are subject to change or differing interpretations at any time and in some circumstances with retroactive effect. This summary does not discuss all aspects of federal income taxation that may be relevant to a particular investor in light of the investor's particular circumstances, or to certain types of investors subject to special treatment under the federal income tax laws (including, but not limited to, financial institutions, tax-exempt organizations, insurance companies, regulated investment companies, brokers, dealers, traders in securities, foreign persons and entities, certain U.S. expatriates, persons holding Notes as part of a "straddle", "conversion" or hedging transaction, or persons whose functional currency (as defined in section 985 of the Code) is not the U.S. Dollar). In addition, this summary does not consider the effect of any foreign, state, local or other tax laws, or any United States tax consequences other than income tax consequences (e.g., estate or gift tax consequences), that may be applicable to particular investors. This summary also assumes that the Notes are held as capital assets. Each prospective purchaser of the Notes should consult its own tax advisor concerning the application of United States federal income tax laws to its particular situation as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note that is, for United States federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation, or other entity classified as a corporation for United States federal income tax purposes that was created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source, or (iv) a trust if, in general, a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Notes should consult their tax advisors.

## Payments of Stated Interest

Generally, the amount of any stated interest payment on a Note which constitutes "qualified stated interest" (as defined below), whether paid in U.S. Dollars or a foreign currency, will be taxable to a U.S. Holder as ordinary interest income when it is accrued or received in accordance with the U.S. Holder's method of accounting for federal income tax purposes. If a payment of qualified stated interest is denominated in a Specified Currency other than the U.S. Dollar, then special rules, described below under " — Foreign Currency Notes", apply.

## Original Issue Discount

If a U.S. Holder holds a Note which has OID and a maturity of more than one year from its date of issue (a "Discount Note"), such U.S. Holder will generally be required to recognize such OID as ordinary interest income on a constant yield basis in advance of the receipt of cash payments to which such income is attributable, regardless of the U.S. Holder's method of tax accounting. Special rules apply to OID on a Discount Note that is denominated in a Specified Currency other than the U.S. Dollar. See " — Foreign Currency Notes".

A Note has OID to the extent that the Note's "stated redemption price at maturity" exceeds its "issue price," provided that such excess equals or exceeds a *de minimis* amount (generally defined as 0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity). The stated redemption price at maturity of a Note is the sum of all payments provided by the Note other than payments of "qualified stated interest". The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually at a single fixed rate (or at certain floating rates) that appropriately takes into account the length of the interval between stated interest payments. The issue price of a Note is the first price at which a substantial amount of such issue of Notes has been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of dealers, Dealers, or wholesalers).

In general, if the excess of a Note's stated redemption price at maturity over its issue price is *de minimis*, then such excess constitutes "*de minimis* OID". Unless the election described below under " — Possible Election to Treat All Interest as OID" is made, such a Note will not be treated as issued with OID (in which case the following paragraphs under " — Original Issue Discount" will not apply) and a U.S. Holder of such a Note will recognize capital gain with respect to such *de minimis* OID as stated principal payments on the Note are made. The amount of such gain with respect to each such payment will equal the product of the total amount of the Note's *de minimis* OID and a fraction, the numerator of which is the amount of the principal payment and the denominator of which is the stated principal amount of the Note.

Except as described below with respect to Short-Term Notes (as hereinafter defined), the amount of OID that a U.S. Holder will be required to include in gross income in a taxable year will equal the sum of the "daily portions" of OID for each day in such taxable year in which the U.S. Holder has held the Note determined by allocating to each day in an "accrual period" during the taxable year in which the U.S. Holder holds the Note a pro rata portion of OID allocable to such accrual period in such taxable year. An accrual period may be of any length selected by the U.S. Holder and the accrual periods may vary in length over the term of the Note as long as (i) each accrual period is no longer than one year, and (ii) each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of OID allocable to each accrual period generally will equal the product of (i) the Note's "adjusted issue price" at the beginning of such accrual period and (ii) its "yield to maturity" (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period), less the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Note at the beginning of the first accrual period is simply the issue price. Thereafter, the "adjusted issue price" of a Note generally is the sum of the issue price plus the amount of OID previously includible in the gross income of the U.S. Holder reduced by the amount of any payments previously made on the Note, other than payments of qualified stated interest. A Discount Note's "yield to maturity" is the discount rate that causes the present value on the issue date of the payments provided for in such Note to equal the Note's issue price. Thus, under these rules, a U.S. Holder generally will have to include in gross income increasingly greater amounts of OID during the life of the Note. Special rules apply for calculating OID in short initial or final accrual periods.

**Optional Redemption.** Generally, special rules apply for determining the yield to maturity of Discount Notes which are subject to certain options. If the Issuer has an unconditional option to redeem a Discount Note, or the U.S. Holder has an unconditional option to cause a Discount Note to be repurchased, in any case prior to the Discount Note's stated maturity, such option will be presumed to be exercised if, by utilizing any date on which such Discount Note may be redeemed or repurchased as the maturity date and the amount payable on such date in accordance with the terms of the Discount Note as the stated redemption price at maturity, the yield on the Discount Note would be (i) in the case of an option of the Issuer, lower than its yield to stated maturity or (ii) in the case of an option of the U.S. Holder, higher than its yield to stated maturity. If such option is not in fact exercised when presumed to be

exercised, the Discount Note would be treated solely for OID purposes as if it were retired and then reissued on the presumed exercise date for an amount equal to the Discount Note's adjusted issue price on that date.

**Acquisition Premium.** A U.S. Holder that purchases a Discount Note for an amount that is greater than its adjusted issue price and less than or equal to the sum of all amounts payable on the Discount Note after the purchase date, other than payments of qualified stated interest, will be considered to have purchased such Discount Note at an "acquisition premium". Under the acquisition premium rules, the daily portion of OID which such U.S. Holder must otherwise include in its gross income with respect to such Discount Note for any day will be reduced by an amount which would be the daily portion of OID for such day multiplied by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Discount Note immediately after its purchase over the adjusted issue price of the Discount Note, and the denominator of which is the sum of the daily portions for such Discount Note for all days after the date of purchase and ending on the stated maturity date (*i.e.*, the total OID remaining on the Discount Note).

Alternatively, rather than applying the acquisition premium fraction to reduce the daily portion of accrued OID, a U.S. Holder of a Discount Note may, as discussed below under "**— Possible Election to Treat All Interest as OID**", elect to treat all interest on the Discount Note as OID, adjusted for acquisition premium, and thus compute OID by treating the purchase of the Discount Note as a purchase at original issuance and applying the mechanics of the constant yield method. Prior to making this election, a U.S. Holder of a Discount Note should consult its own tax advisor concerning the potential United States federal income tax consequences of such election in its particular situation.

**Variable Notes.** Floating Rate Notes and Indexed Notes ("**Variable Notes**") that qualify as "variable rate debt instruments" will be subject to special rules. Generally, provided the Variable Note provides for stated interest at a single "qualified floating rate" or "objective rate" (each as defined in the applicable income tax regulations) that is unconditionally payable in cash or in property (other than debt instruments of the Issuer) at least annually, then (a) all stated interest with respect to such Variable Note is qualified stated interest, and (b) the amount of OID, if any, is determined under the general OID rules (as described above under "**— Original Issue Discount**") by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or inverse floating rate, the value, as of the issue date, of such qualified floating rate or inverse floating rate, or (ii) in the case of an objective rate (other than an inverse floating rate), a rate that reflects the yield that is reasonably expected for such Variable Note. Additional rules will apply, as set forth in the applicable Pricing Supplement, if a Variable Note does not provide for stated interest at a single qualified floating rate or objective rate, or if a Variable Note provides for stated interest either at one or more qualified floating rates or at an inverse floating rate and in addition provides for stated interest at a single fixed rate.

**Contingent Payment Notes.** Variable Notes which do not qualify as "variable rate debt instruments" and certain Fixed Rate Notes will be classified as contingent payment debt instruments ("**Contingent Notes**") and will be subject to special rules for calculating the accrual of interest. These rules generally require a U.S. Holder of such an instrument to include future contingent and noncontingent interest payments in income as such interest accrues, applying rules similar to those for accruing OID (as described above), based upon an assumed payment schedule (subject to later adjustments reflecting any differences between assumed payments and actual payments). Moreover, in general, under these rules, any gain recognized by a U.S. Holder on the sale, exchange, retirement or other disposition of a Contingent Note will be treated as ordinary income and all or a portion of any loss realized may be treated as ordinary loss as opposed to capital loss (depending upon the circumstances). If a particular Note qualifies as a Contingent Note, the applicable Pricing Supplement will so state and additional United States federal income tax consequences will be set forth therein.

**Short-Term Notes.** A Note that has a fixed maturity date of not more than one year from the date of issue (a "**Short-Term Note**") will be treated as issued with OID equal to the excess of the total principal and interest payments thereon over its issue price. Generally, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to include OID in gross income currently for United States federal income tax purposes unless it elects to do so. Such an election by a cash basis U.S. Holder will apply to all short-term obligations acquired on or after the beginning of the first taxable year to which the election applies and in all subsequent taxable years unless the Internal Revenue Service ("**IRS**") consents to the revocation of the election. Accrual basis U.S. Holders and certain other U.S. Holders, including banks, regulated investment companies, dealers in securities, common trust funds, U.S. Holders that hold Short-Term Notes as part of certain identified hedging transactions, certain pass-through entities and cash basis U.S. Holders that so elect, are required to include currently in gross income the OID on a Short-Term Note on either a straight-line basis or, at the irrevocable election of the U.S. Holder, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in gross income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an irrevocable election is made to accrue the OID under the constant yield method) through the date of sale or retirement. U.S. Holders that are not required and do not elect to include OID on Short-Term Notes in gross income currently will be required to defer deductions for all or a portion of interest expense on indebtedness incurred or maintained to purchase or carry the Short-Term Notes.

Any U.S. Holder of a Short-Term Note can elect to apply the rules in the preceding paragraph applicable to them taking into account the amount of "acquisition discount," if any, with respect to the Note (rather than the OID with respect to such Note). Such election will apply to all short-term debt obligations acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies and in all subsequent taxable years, and may not be revoked without the consent of the IRS. Acquisition discount is the excess of the stated redemption price at maturity of the Short-Term Note over the U.S. Holder's purchase price therefor. Acquisition discount will be treated as accruing on a ratable basis or, at the irrevocable election of the holder, on a constant yield basis (with daily compounding).

For purposes of determining the amount of OID or acquisition discount subject to these rules, the OID rules provide that no interest payments on a Short-Term Note are qualified stated interest and, therefore, such interest payments are included in the Short-Term Note's stated redemption price at maturity.

### **Market Discount**

The market discount rules in the Code generally provide that if a person acquires a Note (other than a Short-Term Note) with more than a *de minimis* amount of "market discount" (the amount by which the stated redemption price at maturity or, in the case of a Discount Note, the "revised issue price" of the Note exceeds the U.S. Holder's tax basis for the Note immediately following its acquisition) (a "Market Discount Note"), any gain realized upon a disposition (including redemption or retirement) of the Note (other than in connection with certain nonrecognition transactions), or any partial principal payment on the Note, will be treated as ordinary income (generally, interest income) to the extent of the market discount which accrued while such U.S. Holder held the Note. The "revised issue price" of a Market Discount Note is equal to the issue price of the Note plus the amount of OID includible in the income of all holders for periods prior to the acquisition of the Note by the U.S. Holder (determined without regard to the acquisition premium rules discussed above). Market discount is *de minimis* if it is less than 0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years remaining from the time the taxpayer acquired the Note until its maturity. The amount of market discount treated as having accrued will be determined either (i) on a ratable basis by multiplying the market discount and a fraction, the numerator of which is the number of days the Note was held by the U.S. Holder and the denominator of which is the total number of days after the date such U.S. Holder acquired the Note up to and including its maturity date, or (ii) if the U.S. Holder so elects on an irrevocable basis with respect to the Note, on a constant yield basis. The market discount rules also provide that a U.S. Holder that acquires a Market Discount Note may be required to defer the deduction of all or a portion of interest expense that may otherwise be deductible on any indebtedness incurred or maintained to purchase or carry the Note until the holder disposes of the Note in a taxable transaction.

Instead of recognizing market discount, if any, upon the disposition of, or partial principal payment on, a Market Discount Note, a U.S. Holder may elect to include market discount in gross income currently as it accrues, either on a ratable basis or on a constant yield basis, as described above. The current inclusion election, once made, applies to all market discount obligations of the holder acquired on or after the first day of the taxable year in which the election applies and in all subsequent taxable years and may not be revoked without the consent of the IRS. If a U.S. Holder elects to include market discount in gross income in accordance with these rules (or makes the election described below under " — Possible Election to Treat All Interest as OID"), the foregoing discussion regarding the deferral of interest deductions on indebtedness incurred or maintained to purchase or carry the Note would not apply. Further, if a U.S. Holder makes the election, discussed below, to treat as OID all interest on a Market Discount Note, the U.S. Holder is deemed to have made the election to include market discount in gross income currently using a constant yield method on all other market discount obligations. Finally, if a U.S. Holder has previously made the election to include market discount currently, the conformity requirements of that election are satisfied for Market Discount Notes with respect to which the U.S. Holder elects to treat all interest as OID.

The Treasury Department is authorized to issue regulations implementing the market discount provisions of the Code. The Treasury Department has not issued or proposed any such regulations. It is impossible to anticipate what effect, if any, such regulations would have on purchasers of the Notes.

### **Amortizable Bond Premium**

Generally, if the tax basis of a Note immediately after its purchase by a U.S. Holder exceeds the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, such excess will constitute "bond premium" which a U.S. Holder may elect to amortize over the period from the Note's acquisition date to its maturity date (or, in certain circumstances, until an earlier call date). A U.S. Holder that purchases a Note with bond premium is not required to include in gross income any OID on the Note. A U.S. Holder which makes the election to amortize bond premium is required to allocate the bond premium to each accrual period under the constant yield method (using a yield computed based on the U.S. Holder's initial tax basis for the Note and all payments to be made thereon after the Note's acquisition date) in a manner similar to the application of such method in the accrual of OID (as discussed above). The amount of the amortized bond premium allocated to an accrual period generally will be treated first as a reduction of the qualified stated interest on the Note included by the U.S. Holder in that accrual

period to the extent thereof, then as a deduction allowed in that accrual period to the extent of the U.S. Holder's prior interest inclusions on the Note, and finally as a carryforward allowable against the U.S. Holder's future interest inclusions on the Note. A U.S. Holder that elects to amortize bond premium must reduce its tax basis in the Note by the amount of the bond premium used to reduce qualified stated interest on the Note and the amount allowed as a deduction against the U.S. Holder's prior interest inclusions on the Note. The election to amortize bond premium will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired, and is irrevocable without the consent of the IRS. The election to treat all interest, including for this purpose, amortizable bond premium, as OID (discussed below under "— Possible Election to Treat All Interest as OID") is deemed to be an election to amortize bond premium for purposes of the conformity requirements of the latter election. In addition, if a U.S. Holder has already made an election to amortize bond premium, the conformity requirements will be deemed satisfied with respect to a Note for which the U.S. Holder makes an election to treat all interest as OID.

In the case of a Note that may be called at a premium prior to maturity, an earlier call date of the Note is treated as the maturity date of the Note and the amount of bond premium is determined by treating the amount payable on such call date as the amount payable at maturity if such a calculation produces a smaller amortizable bond premium than the method described in the preceding paragraph. If the Note is not redeemed on such call date, the remaining bond premium may be amortized to a later call date or to maturity under the rules set forth above. In general terms, if a Note purchased with bond premium is redeemed prior to its maturity, a U.S. Holder that has elected to amortize the bond premium may deduct any remaining unamortized bond premium as an ordinary loss in the taxable year of the redemption.

If an election to amortize bond premium is not made by a U.S. Holder, the U.S. Holder must include in gross income the full amount of each interest payment on the Note and will include the bond premium in its tax basis for the Note for purposes of computing its gain or loss on the disposition of the Note.

Special rules apply to certain Variable Notes, and U.S. Holders should consult their tax advisors regarding these rules.

#### **Possible Election to Treat All Interest as OID**

A U.S. Holder of a debt instrument is entitled to elect to treat all interest that accrues on the instrument as OID. Interest for this purpose includes stated interest, OID (including any *de minimis* OID), acquisition discount, market discount (including any *de minimis* market discount), and unstated interest, adjusted for amortizable bond premium and acquisition premium. Special rules and limitations apply to taxpayers that make this election and, as discussed herein, this election may affect the tax treatment of other debt instruments held by a U.S. Holder. The election is made for the year in which the U.S. Holder acquired the Note, and may not be revoked without the consent of the IRS. Prior to making such an election, U.S. Holders should consult their own tax advisors regarding the decision of whether to make this election.

#### **Disposition of a Note**

Except as discussed above, upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the disposition (other than amounts representing accrued and unpaid interest, which will be taxable as such) and such U.S. Holder's adjusted tax basis in such Note. A U.S. Holder's adjusted tax basis in a Note generally will equal such U.S. Holder's initial investment in such Note, increased by any OID (or acquisition discount) and any accrued market discount includible in gross income, and decreased by the amount of any payments that are not qualified stated interest payments and by any amortizable bond premium applied to reduce, or allowed as a deduction against, interest with respect to such Note. Except as discussed above with respect to Short-Term Notes, Market Discount Notes and Contingent Notes and except as discussed below with respect to Foreign Currency Notes, such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year at the time of the disposition.

#### **Foreign Currency Notes**

The following summary relates to Notes denominated in, or the payments on which are determined by reference to, a currency other than the U.S. Dollar. It does not apply to U.S. Holders whose functional currency is not the U.S. Dollar.

*Payments of Interest in a Specified Currency Other than U.S. Dollars.* A U.S. Holder that uses the cash method of tax accounting and receives a payment of interest on a Note (other than OID or market discount) will be required to include in gross income the U.S. Dollar value of the payment in the Specified Currency other than U.S. Dollars on the date such payment is received (based on the U.S. Dollar spot rate for such Specified Currency on the date such payment is received) regardless of whether the payment is in fact converted to U.S. Dollars at that time.

A U.S. Holder that uses the accrual method of tax accounting, or that otherwise is required to accrue interest prior to receipt, will be required to include in gross income the U.S. Dollar value of the amount of interest income that has accrued and is otherwise required to be taken into account with respect to a Note during an accrual period. The U.S. Dollar value of such accrued interest income will be determined by translating such interest income at the average U.S. Dollar exchange rate for the Specified Currency in effect during the accrual period or, with respect to an accrual period that spans two taxable years, the partial period within the taxable year. A U.S. Holder may elect, however, to translate such accrued interest income using the U.S. Dollar spot rate for the Specified Currency on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, on the last day of the taxable year. If the last day of an accrual period is within five Business Days of the date of receipt of the accrued interest, a U.S. Holder may translate such interest using the U.S. Dollar spot rate on the date of receipt. The above election must be applied consistently to all debt instruments from year to year and may not be changed without the consent of the IRS. Prior to making such an election, a U.S. Holder should consult its own tax advisor.

A U.S. Holder that uses the accrual method of tax accounting may recognize exchange gain or loss (which will be treated as ordinary income or loss) with respect to accrued interest income on the date the payment of such income is received. The amount of ordinary income or loss recognized will equal the difference, if any, between the U.S. Dollar value of the payment in the Specified Currency other than U.S. Dollars received (based on the U.S. Dollar spot rate for such Specified Currency on the date such payment is received) in respect of such accrued interest and the U.S. Dollar value of the income inclusion with respect to such accrued interest (computed as determined above).

*Exchange of Amounts in Other than U.S. Dollars.* Foreign currency received as interest on a Note or on a sale or retirement of a Note will have a tax basis equal to its U.S. Dollar value determined based on the spot value of the foreign currency on the date such interest is received or on the date of such sale or retirement, as the case may be. Foreign currency that is purchased will generally have a tax basis equal to the U.S. Dollar value of the foreign currency determined based on the spot value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of the foreign currency (including its use to purchase Notes or upon exchange for U.S. Dollars) generally will be U.S. source ordinary income or loss.

*Market Discount.* If the U.S. Holder of a Foreign Currency Note that is a Market Discount Note has not elected to include market discount in income currently as it accrues, the amount of accrued market discount will be determined in the Specified Currency and translated into U.S. Dollars using the U.S. Dollar spot rate for the Specified Currency in effect on the date principal is paid or the Foreign Currency Note is sold, exchanged, retired or otherwise disposed of. No part of such accrued market discount will be treated as exchange gain or loss. If the U.S. Holder has elected to include market discount in income currently as it accrues, the amount of market discount which accrues during any accrual period will be determined in the Specified Currency and translated into U.S. Dollars on the basis of the average exchange rate in effect for the Specified Currency during such accrual period. Such an electing U.S. Holder will recognize exchange gain or loss with respect to accrued market discount under the same rules that apply to the accrual of interest income on a Foreign Currency Note.

*Amortizable Bond Premium and Acquisition Premium.* Amortizable bond premium on a Foreign Currency Note will be computed in the Specified Currency. Amortizable bond premium properly taken into account will reduce the interest income on the Note determined in the Specified Currency. Exchange gain or loss may be realized with respect to the bond premium by treating the portion of the premium amortized with respect to any period as a payment of principal. With respect to any U.S. Holder that does not elect to amortize bond premium, such premium will constitute a market loss when the bond matures. Similar rules will apply to determine the treatment of acquisition premium.

*Foreign Currency Discount Notes.* OID for any accrual period on a Discount Note that is denominated in a Specified Currency other than U.S. Dollars will be determined in such Specified Currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of a payment attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder may recognize ordinary exchange income or loss as described above with respect to accrued interest income.

*Indexed Notes and Dual Currency Notes.* Special United States federal income tax rules apply to Indexed Notes and Dual Currency Notes where the rate of interest or amount of interest is to be determined by reference to a currency exchange rate and, if such rules are applicable to a particular Note, additional United States federal income tax consequences will be set forth in the applicable Pricing Supplement. See "Original Issue Discount -- Contingent Payment Notes", above.

*Foreign Currency Gain or Loss on Sale, Exchange or Retirement.* If a U.S. Holder receives Specified Currency other than U.S. Dollars on a sale, exchange or retirement of a Note, the amount realized will be based on the U.S. Dollar value of such Specified Currency determined based on the spot value of the foreign currency on the date the payment is received or the instrument is disposed of (or deemed disposed of). Gain or loss realized upon the sale, exchange or retirement of a Note that is attributable to fluctuations in currency exchange rates will be ordinary

income or loss which generally will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between the U.S. Dollar value of the applicable Specified Currency principal amount of a Note, determined on the date such payment is received or such Note is disposed of based on the U.S. Dollar spot rate for the applicable Specified Currency on such date (or, in certain circumstances, on the settlement date of the transaction), and the U.S. Dollar value of the applicable Specified Currency principal amount of such Note, determined on the date the U.S. Holder acquired such Note based on the U.S. Dollar spot rate for the Specified Currency on such date (or, in certain circumstances, on the settlement date of the transaction). Such foreign currency gain or loss will be recognized only to the extent of the total gain or loss realized by the U.S. Holder on the sale, exchange or retirement of such Note.

**Information Reporting and Backup Withholding**

In general, information reporting requirements will apply to payments of principal, any premium and interest on a Note (including accrual of OID on a Discount Note) and the proceeds of the sale of a Note before maturity within the United States to non-corporate U.S. Holders. If a U.S. Holder holds Notes through a broker or other securities intermediary, the intermediary must report information to the IRS and to such U.S. Holder on IRS Form 1099. If a U.S. Holder holds Notes that have OID, the amount reported to such U.S. Holder may not be the same as the amount such U.S. Holder is required to report on its tax return. In addition, "backup withholding" will apply to such payments and to payments of OID if the U.S. Holder fails to provide an accurate taxpayer identification number or is notified by the IRS that it has failed to report all interest and dividends required to be shown on its federal income tax returns.

Any amounts withheld under the backup withholding rules from payment to a beneficial owner would be allowed as a refund or credit against such beneficial owner's United States federal income tax provided the required information is furnished to the IRS.



## UNITED STATES FEDERAL INCOME TAX TREATMENT OF THE ISSUER AND THE GUARANTOR

The following discussion summarizes certain aspects of the U.S. federal income tax treatment of the Issuer and the Guarantor. This summary does not purport to be a comprehensive description of all the U.S. federal income tax considerations relating to the U.S. federal income tax treatment of the Issuer and the Guarantor that may be relevant to a particular investor's decision to purchase the Notes. In addition, this summary does not describe any tax consequences to the Issuer or the Guarantor arising under the laws of any state, locality or taxing jurisdiction other than the United States federal income tax laws.

This summary is based on the Code, the Treasury regulations (final, temporary and proposed) promulgated thereunder (collectively, the "Regulations"), administrative rulings and practice, and judicial decisions in effect or available on the date of this Offering Circular. All of the foregoing are subject to change or differing interpretation at any time, which change or interpretation may apply retroactively and could affect the continued validity of this summary.

This summary is included herein for general information only, and there can be no assurance that the IRS will take a similar view of the U.S. federal income tax treatment of the Issuer and the Guarantor as described herein.

The Regulations provide that, in general, a domestic entity that is not otherwise classified as a corporation will be disregarded as an entity separate from its owner if such entity does not affirmatively elect to be treated as an association taxable as a corporation for U.S. federal income tax purposes and such entity has a single owner. Assuming the Guarantor is the Issuer's sole owner, the Issuer will be disregarded as an entity separate from the Guarantor for U.S. federal income tax purposes because (i) the Issuer is not classified as a corporation and (ii) the Issuer has not made an election to be treated as an association taxable as a corporation. Accordingly, the Issuer and the Guarantor are hereinafter collectively referred to as the Guarantor for purposes of this section.

The Code and the Regulations provide a specific exemption from U.S. federal income tax to non-U.S. corporations that restrict their activities in the United States to trading in stocks and securities and effecting transactions in certain types of derivatives (and any other activity closely related to the foregoing) for their own account, whether such trading (or such other activity) is conducted by the corporation or its employees or through a resident broker, commission agent, custodian or other agent. This particular exemption does not apply to non-U.S. corporations that are engaged in activities in the United States other than trading in stocks and securities and effecting transactions in certain types of derivatives (and any other activity closely related to the foregoing) for their own account or that are dealers in stocks, securities, commodities or derivatives.

The Guarantor intends to rely on the above exemption and does not intend to operate so as to be subject to U.S. federal income taxes on its net income. In this regard, the Guarantor has been advised by Fried, Frank, Harris, Shriver & Jacobson ("Special U.S. Tax Counsel") generally to the effect that as of the date of this Offering Circular, although the matter is not free from doubt, as structured and intended to operate, the Guarantor's contemplated activities will not cause it to be engaged in a trade or business in the United States under the Code and, consequently, the Guarantor's profits will not be subject to U.S. federal income tax on a net income basis (or the branch profits tax imposed under section 884 of the Code). The advice of Special U.S. Tax Counsel will be based on, among other things, (i) the Code, the Regulations and the other authorities referred to above, and Special U.S. Tax Counsel's interpretation of the foregoing and (ii) certain factual representations of the Manager regarding the Guarantor's contemplated activities and certain other factual assumptions. In complying with such representations, the Manager is entitled to rely upon the advice and/or opinions of its selected U.S. tax counsel, and the advice of Special U.S. Tax Counsel will assume the correctness and completeness of any such advice or opinions provided to the Manager. The Guarantor intends to conduct its affairs in accordance with such representations and assumptions. It should be noted, however, that no activity closely comparable to that contemplated by the Guarantor has been the subject of any Regulation, administrative ruling or judicial decision, and the application of certain provisions of the Code and Regulations and the other existing authorities to the contemplated activities of the Guarantor is subject to uncertainty in the absence of definitive guidance and may be subject to differing interpretations. In addition, all provisions of the Code and Regulations and judicial decisions, rulings and other authorities are subject to change or differing interpretation at any time, possibly with retroactive effect. Accordingly, there can be no assurance that future changes in law, or differing interpretations of or resolutions of issues under existing law, would not significantly affect the advice of Special U.S. Tax Counsel. It should be further noted that the advice of Special U.S. Tax Counsel is not binding on the IRS or the courts, and there can be no assurance that the IRS or a court of law would not reach a conclusion that is contrary to such advice.

The determination of whether the Guarantor will be treated as engaged in a trade or business in the United States at any particular time will be based on the facts and circumstances surrounding its activities at such time. In this

regard, and for purposes of rendering the advice of Special U.S. Tax Counsel set forth above, Special U.S. Tax Counsel has assumed that (i) the Guarantor's activities will be conducted in a manner consistent with the parameters, terms and conditions agreed upon by the Rating Agencies and Guarantor with consent of the Manager and as in effect on the date of such opinion and (ii) the Manager will comply with certain covenants contained in the Management Agreement without regard to any qualifications contained therein regarding their use of reasonable efforts or their knowledge as to the U.S. federal income tax consequences of actions taken by them on behalf of the Guarantor. If it were determined that the Guarantor were engaged in a trade or business in the United States (as defined in the Code), and had taxable income that was effectively connected with such U.S. trade or business, the Guarantor would be subject under the Code to the regular U.S. corporate income tax on such effectively connected taxable income (and, in addition, possibly the branch profits tax at a 30% rate). The imposition of such taxes would materially affect the Guarantor's financial ability to make payments with respect to the Capital Notes and other of its liabilities.

#### CERTAIN JERSEY TAX MATTERS

The following summary of the anticipated tax treatment in Jersey of the Guarantor is based on Jersey taxation law and practice in force at the date of this Offering Circular and does not constitute legal or tax advice. Prospective investors should consult their professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes under the laws of the jurisdictions in which they may be liable to taxation. Prospective investors should be aware that tax rules and practice and their interpretation may change.

The Guarantor has exempt company status within the meaning of Article 123A of the Income Tax (Jersey) Law 1961, as amended, for the current calendar year and the next following four calendar years and as such is treated as not resident in Jersey for Jersey tax purposes even though it is managed and controlled in Jersey. As an exempt company, the Guarantor is exempt from Jersey income tax on income arising outside of Jersey and by concession, bank interest arising in Jersey, but is otherwise liable to Jersey income tax on income arising in Jersey and is liable to Jersey income tax on the profits of any trade carried on through an established place of business in Jersey. The retention of exempt company status is conditional on the Comptroller of Income Tax in Jersey being satisfied that no Jersey resident has a beneficial interest in the Guarantor and on the payment of an annual fee, currently £600. It is the Guarantor's intention to maintain such status.

For so long as the Guarantor is treated as not resident in Jersey, payments in respect of the Notes to persons other than Jersey residents will not be subject to taxation in Jersey and no withholding or deduction for or on account of Jersey taxation will be required on any such payment made to a holder of the Notes. As at the date of this Offering Circular, Jersey has no capital gains tax and no inheritance tax or gift tax.

No stamp duties are payable in Jersey on the acquisition, ownership, redemption, sale or other disposal of the Notes.

#### ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to the 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 the Code.

The Issuer, the Guarantor and the Manager may be parties in interest and disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if Notes are acquired or held by a Plan with respect to which the Issuer, the Guarantor, the Manager, 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 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

BY ITS PURCHASE OF ANY NOTE, THE PURCHASER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER ACQUIRES THE NOTE THROUGH AND INCLUDING THE DATE ON WHICH THE PURCHASER DISPOSES OF ITS INTERESTS IN SUCH NOTE, EITHER THAT (A) IT IS NOT AN ERISA PLAN OR OTHER PLAN, AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH ERISA PLAN OR OTHER PLAN, OR A GOVERNMENTAL PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL 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 NOTE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

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

The Notes should not be considered to be "equity interests" in the Issuer or the Guarantor.

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. 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 the Notes should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank and under any subsequent guidance that may become available relating to that decision. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the Department of Labor for transactions involving insurance company general accounts in Prohibited Transaction Exemption 95-60, 60 Fed. Reg. 35925 (July 12, 1995), the enactment of Section 401(c) of ERISA by the Small Business Job Protection Act of 1996 (including, without limitation, the expiration of any relief granted thereunder) and the proposed Insurance Company General Account Regulations, 62 Fed. Reg. 66908-01 (1997) (to be codified at 29 C.F.R. pt. 2550) (proposed Dec. 22, 1997).

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold Notes should determine whether, under the general fiduciary standards of investment prudence and diversification and under the documents and instruments governing the Plan, an investment in the Notes is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan proposing to invest in Notes should consult with its counsel to confirm that such investment will not result in a prohibited transaction and will satisfy the other requirements of ERISA and the Code.

Any Plan fiduciary that proposes to cause a Plan to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA or the Code.

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

#### OFFERING AND SALE OF THE NOTES

Under the terms of a program agreement, dated as of February 13, 2002, (as amended or modified and in effect from time to time, the "Program Agreement"), the Notes are being offered on a continuing basis and in series by the

Issuer through the Dealers, which have agreed to use their reasonable efforts to solicit offers to purchase the Notes on the terms and subject to the conditions contained therein. The obligations of the Dealers under the Program Agreement are subject to, among other things, the receipt of the ratings described below in "RATINGS" that, in each case, relate to the maximum program size specified on the cover page of this Offering Circular. The Notes may also be sold to the Dealers, acting as principal, at a discount for resale to one or more purchasers at varying prices related to prevailing market prices at the time of resale or, if set forth in the applicable Pricing Supplement, the Dealers may also resell such Notes at a fixed issue price or at negotiated prices, as determined by the Dealers. The Issuer also may sell Notes to any Dealer or to a group of Dealers for whom a Dealer or a group of Dealers acts as representative, at a discount to be agreed at the time of sale for resale to one or more investors or purchasers at a fixed offering price or at varying prices prevailing at the time of resale, at prices related to such prevailing market prices at the time of such resale or at negotiated prices. After the initial offering of Notes to be resold to investors and other purchasers, the issue price (in the case of Notes to be resold at a fixed issue price), discount and commission may be changed. Unless otherwise specified in the applicable Pricing Supplement, any Note purchased by the Dealers as principals will be purchased at 100% of the principal amount thereof less a percentage equal to the commission applicable to an agency sale of a Note of identical maturity. The Issuer shall have the right, in its discretion, to reject any proposed purchase of Notes in whole or in part. Any Dealer shall have the right, in its discretion reasonably exercised, without notice to the Issuer, to reject any offer received by it, in whole or in part. The Issuer will pay the Dealer in connection with each Note sold a commission as agreed any the Issuer, the Guarantor and such Dealer. Any agent or agents involved in such offer or sale of the Notes will be named, and any commissions payable by the Issuer to such agent or agents will be set forth, in the applicable Pricing Supplement. In the event the Issuer sells Notes directly to investors on its own behalf, no commission will be paid.

The Notes are being sold hereby in reliance upon Section 4(2) of the Securities Act. The Notes and the Guarantee have not been and will not be registered under the Securities Act or any state securities laws and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Each purchaser of Notes will, among other things, be deemed to (i) represent that it is purchasing the Notes for its own account or for one or more accounts with respect to which it exercises sole investment discretion, that each of the purchaser and each such account is a "Qualified Purchaser" for purposes of Section 3(c)(7) of the Investment Company Act and that it and any such account are "Qualified Institutional Buyers" under Rule 144A and (ii) acknowledge that the Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except as described herein under "NOTICE TO INVESTORS".

In addition to offering Notes as described herein, the Guarantor has sold and expects to continue to offer and sell Euro MTNs, on a continuing basis outside the United States. Such Euro MTNs may have terms substantially similar to the terms of the Notes offered hereby.

The Program Agreement provides that if any Dealer offers or sells Notes as part of any selling or dealer group, the Issuer will indemnify the Dealer, and any such selling or dealer group against certain liabilities in connection with the offering of the Notes or contribute to payments the Dealer and the selling or dealer group may be required to make in respect thereof.

Unless otherwise indicated in the applicable Pricing Supplement, a non-U.S. Dollar Note will not be sold in, or to a resident of, the country of the Specified Currency in which such Note is denominated. See "SPECIAL PROVISIONS RELATING TO FOREIGN CURRENCY NOTES".

The Notes may not be offered to, sold to or purchased or held by, or for the account of, persons (other than financial institutions in the normal course of business) resident for income tax purposes in the Island of Jersey.

Payment of the purchase price of Notes will be required to be made in immediately available funds in New York City.

The Issuer has agreed to reimburse the Dealers for certain expenses.

Prior to the offering contemplated by this Offering Circular, there has been no active market for the Notes. The Notes will not be listed on any stock exchange. The Dealers may make a market in the Notes but the Dealers will not have any obligation to do so and any such market making, if commenced, may be discontinued at any time. If any Dealer makes a market in the Notes, purchasers of the Notes may be limited in the ability to resell the Notes in reliance on Rule 144 under the Securities Act.

Certain of the Dealers and their affiliates also may lend to, or engage in general financing and banking transaction with, the Guarantor and its affiliates. The Trustee is an affiliate of Bank One Capital Markets Limited.

#### RATINGS

Notes with a maturity of one year or more are expected on issue to be rated "AAA", by Standard & Poor's and "Aaa" by Moody's. This rating addresses the ability of this Issuer to make payment of interest and ultimate payment of principal due to Noteholders. Notes with a maturity of less than one year are expected to be rated "A-1 +" by

Standard & Poor's and "P-1" by Moody's. This rating addresses the ability of the Issuer to make timely payments due to Noteholders. These ratings were provided by the Rating Agencies with the understanding that such agencies would continue to monitor the credit of the Guarantor.

A rating reflects only the views of Standard & Poor's or Moody's, as the case may be, and is not a recommendation to buy, sell or hold the Notes. An explanation of the significance of these ratings may be obtained from the rating agencies furnishing the same.

#### **LEGAL MATTERS**

Certain legal matters relating to the issuance of the Notes will be passed upon for the Guarantor and the Issuer by Fried, Frank, Harris, Shriver & Jacobson, London, England and Olsens, Jersey. Certain legal matters relating to the issuance of the Notes will be passed upon for the Dealers by Cravath, Swaine & Moore, New York, New York. Cravath, Swaine & Moore also acts as counsel to the Security Trustee and certain financial institutions that are parties to the liquidity facilities.

#### **ADDITIONAL INFORMATION**

The Guarantor will make available to holders and prospective holders of Notes, upon request, monthly composition reports relating to the Guarantor's portfolio in the form sent to the Rating Agencies as of the date hereof, and a copy of the Security Agreement.

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**White Pine Finance LLC**

U.S. Medium Term Note Program

Unconditionally and Irrevocably  
Guaranteed by  
White Pine Corporation Limited



**Banc One Capital Markets, Inc.**  
**Credit Suisse First Boston**  
**JPMorgan**  
**Lehman Brothers**  
**Merrill Lynch & Co.**