IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following applies to the prospectus (the "Prospectus") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. IN ORDER TO BE ELIGIBLE TO READ THE PROSPECTUS OR MAKE AN INVESTMENT DECISION WITH RESPECT TO THE SECURITIES DESCRIBED THEREIN, YOU EITHER MUST (I) BE A (A) "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND (B) "**QUALIFIED PURCHASER**" (FOR PURPOSES OF THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**")), OR (II) BE NEITHER A "U.S. PERSON" WITHIN THE MEANING OF REGULATION S OF THE SECURITIES ACT ("**U.S. PERSON**") NOR A U.S. RESIDENT (AS DETERMINED FOR PURPOSES OF THE INVESTMENT COMPANY ACT), IN EITHER CASE PURCHASING THE SECURITIES IN AN "OFFSHORE TRANSACTION" AS SUCH TERM IS DEFINED UNDER REGULATION S OF THE SECURITIES ACT.

WITHIN THE UNITED KINGDOM, THE PROSPECTUS IS DIRECTED ONLY AT PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND WHO QUALIFY EITHER AS INVESTMENT PROFESSIONALS IN ACCORDANCE WITH ARTICLE 19(5) OR AS HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, PARTNERSHIPS OR TRUSTEES IN ACCORDANCE WITH ARTICLE 49(2) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (TOGETHER, "**EXEMPT PERSONS**"). IT MAY NOT BE PASSED ON EXCEPT TO EXEMPT PERSONS OR OTHER PERSONS IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 DOES NOT APPLY TO THE ISSUER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). THE PROSPECTUS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE PROSPECTUS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSONS OTHER THAN RELEVANT PERSONS SHOULD NOT ACT OR RELY ON THE PROSPECTUS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON EXCEPT AS PROVIDED ABOVE. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: The Prospectus is being sent to you at your request and by accepting the e-mail and accessing the Prospectus, you shall be deemed to have represented to us that you are either (i) a Relevant Person or (ii) both a Qualified Institutional Buyer and a Qualified Purchaser; and, in each case, that you consent to delivery of the Prospectus by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the managers or any affiliate of the managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Dresdner Bank AG London Branch and any director, officer, employee, agent or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format herewith and the hard copy version available to you on request from Dresdner Bank AG London Branch.

Gresham Capital CLO IV B.V.

(a private company with limited liability incorporated under the laws of The Netherlands, having its statutory seat in Amsterdam)

Up to €75,000,000 Class A1A Senior Secured Floating Rate Variable Funding Notes due 2023*
€75,000,000 Class A1B Senior Secured Floating Rate Notes due 2023
€48,800,000 Class A2 Senior Secured Floating Rate Notes due 2023
€24,130,000 Class B Deferrable Secured Floating Rate Notes due 2023
€21,900,000 Class C Deferrable Secured Floating Rate Notes due 2023
€22,020,000 Class D Deferrable Secured Floating Rate Notes due 2023
€10,780,000 Class E Deferrable Secured Floating Rate Notes due 2023
€32,800,000 Class N Subordinated Notes due 2023

*The amount of €75,000,000 comprised in the Class A1A Senior Secured Floating Rate Variable Funding Notes is the total commitment as at the Issue Date (with any Sterling denominated commitment being converted into Euro at the Issue Date Spot Rate).

The Notes are secured by a portfolio of senior secured loans and certain other assets.

Gresham Capital CLO IV B.V. (the "**Issuer**") will issue on the Issue Date up to €75,000,000 Class A1A Senior Secured Floating Rate Variable Funding Notes due 2023 (the "**Class A1A Notes**"), €75,000,000 Class A1B Senior Secured Floating Rate Notes due 2023 ((including any Class A1B Refinancing Notes issued as described herein), the "**Class A1B Notes**"), €48,800,000 Class A2 Senior Secured Floating Rate Notes (the "**Class A2 Notes**", and together with the Class A1A Notes and the Class A1B Notes, the "**Class A Notes**" or "**Senior Notes**"), €24,130,000 Class B Deferrable Secured Floating Rate Notes due 2023 (the "**Class B Notes**"), €21,900,000 Class C Deferrable Secured Floating Rate Notes due 2023 (the "**Class C Notes**"), €22,020,000 Class D Deferrable Secured Floating Rate Notes due 2023 (the "**Class D Notes**"), €10,780,000 Class E Deferrable Secured Floating Rate Notes due 2023 (the "**Class E Notes**") and €32,800,000 Class N Subordinated Notes due 2023 (the "**Class N Notes**"). The Senior Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are together the "**Rated Notes**" and the Rated Notes together with the Class N Notes are the "**Notes**" and any one class of Notes being a "**Class**".

The Notes will be issued and secured pursuant to a trust deed (the "**Trust Deed**") to be dated on or about the Issue Date between the Issuer and The Law Debenture Trust Corporation p.l.c. as trustee (the "**Trustee**") as amended and supplemented. The terms and conditions of the Notes (the "**Conditions**") are set out herein under "*Conditions of the Notes*". The collateral securing the Notes will be managed by Investec Principal Finance, a business unit division of Investec Bank (UK) Ltd. (the "**Collateral Manager**").

The aggregate principal amount outstanding under the Class A1B Notes and the Class A2 Notes together with the aggregate of all principal amounts drawn and any amount available for drawing under the Class A1A Notes shall at no time exceed €198,800,000 (converting any Sterling drawing under the Class A1A Notes into Euro using the Issue Date Spot Rate).

It is a condition to the issuance of the Notes that the Notes of each Class (other than the Class A1B Refinancing Notes) be issued concurrently. It is a condition to the issuance and sale of the Notes that the Notes (except for the Class N Notes) be issued with at least the following ratings: the Senior Notes: "AAA" by Fitch Ratings Ltd. ("**Fitch**") and "AAA" by Standard and Poor's, a division of The McGraw-Hill Companies, Inc. ("**S&P**"), the Class B Notes: "AA" by Fitch and "AA" by S&P, the Class C Notes: "A" by Fitch and "A" by S&P, the Class D Notes: "BBB" by Fitch and "BBB" by S&P, the Class E Notes: "BB" by Fitch and "BB" by S&P. The Class N Notes will not be rated. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the applicable rating agency**.

Interest on the Notes (other than the Class A1A Notes and the Class A1B Refinancing Notes) will accrue on the outstanding principal balance thereof from the Issue Date. Interest on the Class A1A Notes and the Class A1B Refinancing Notes will accrue as described in the "*Conditions of the Notes*". Interest in respect of the Notes (other than the Class A1A Notes and the Class A1B Refinancing Notes) shall be payable semi-annually in arrear on the 18th day of January and July of each year (or, if not a Business Day, on the next succeeding Business Day) commencing with 18 January 2008, at maturity and upon any redemption of such Notes (each a "**Payment Date**"). Interest on the Class A1A Notes and the Class A1B Refinancing Notes will be payable as described in the "*Conditions of the Notes*". The Class A1B Notes, Class A2 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes bear interest at a rate equal to Applicable EURIBOR plus the relevant margin referred to herein. The Class A1A Notes and the Class N Notes will bear interest as described in more detail in "*Conditions of the Notes*".

Application will be made to the Irish Financial Services Regulatory Authority ("**IFSRA**") as the competent authority under EU Directive 2003/71/EC, for the prospectus to be approved. Application will be made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for each Class of Notes to be admitted to the Official List and trading on its regulated market. This Prospectus constitutes a "prospectus" for the purposes of EU Directive 2003/71/EC.

The Class E Notes and the Class N Notes are expected to be designated for trading in The Private Offering, Resale and Trading Automatic Linkages ("**PORTAL**") market.

SEE "*RISK FACTORS*" IN THIS PROSPECTUS FOR A DESCRIPTION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS IN CONNECTION WITH AN INVESTMENT IN ANY OF THE NOTES.

The net proceeds of the offering of the Notes will be applied by the Issuer in purchasing a diversified portfolio of assets which are required to satisfy the eligibility criteria specified below in "*Description of the Portfolio*" and certain other rights as described herein. Security has been and will be created over the Collateral Debt Securities and certain of the Issuer's other assets in favour of the Trustee for the benefit of the holders of the Notes and certain other secured creditors described herein. The Notes will be limited recourse debt obligations of the Issuer. The Collateral Debt Securities and certain other assets of the Issuer secured in favour of the Trustee are the sole source of payments on the Notes.

THE NOTES DO NOT REPRESENT AN INTEREST IN, OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE TRUSTEE, THE PAYING AGENTS, THE TRANSFER AGENTS, THE REGISTRAR, ANY OF THE NOTEHOLDERS, THE COLLATERAL MANAGER, THE INITIAL HEDGE COUNTERPARTY, ANY OTHER HEDGE COUNTERPARTIES, THE CAPITAL COMMITMENT REGISTRAR, THE LIQUIDITY FACILITY PROVIDER OR ANY OF THEIR RESPECTIVE AFFILIATES.

THE NOTES BEING OFFERED HEREBY HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER RELEVANT JURISDICTION. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), BY REASON OF THE EXCEPTION CONTAINED IN SECTION 3(c)(7) THEREOF. THE NOTES ARE BEING OFFERED HEREBY (I) IN THE UNITED STATES TO PERSONS WHO ARE BOTH QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND QUALIFIED PURCHASERS (FOR PURPOSES OF THE INVESTMENT COMPANY ACT) (THE "**RULE 144A NOTES**") AND (II) OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NEITHER U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) NOR U.S. RESIDENTS (AS DETERMINED FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S (THE "**REGULATION S NOTES**"). EACH PURCHASER OF THE NOTES IN MAKING ITS PURCHASE WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS AS SET FORTH UNDER "*PLAN OF DISTRIBUTION AND TRANSFER RESTRICTIONS*". PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. THE NOTES ARE SUBJECT TO OTHER RESTRICTIONS ON TRANSFERABILITY AND RESALE AS SET FORTH IN "*PLAN OF DISTRIBUTION AND TRANSFER RESTRICTIONS*".

Arranger and Initial Purchaser
Dresdner Kleinwort

5 July 2007

Save as provided below with respect to the Class A1A Notes, Regulation S Notes of each Class will each be represented on issue by beneficial interests in one or more global certificates of such Class (each a "**Regulation S Global Note**") in fully registered form, without interest coupons or principal receipts, which will be deposited on or about the Issue Date with Euroclear Bank N.V./S.A. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Save as provided below with respect to the Class A1A Notes, Rule 144A Notes of each Class will each be represented on issue by beneficial interests in one or more global certificates of such Class (each a "**Rule 144A Global Note**"), in fully registered form, without interest coupons or principal receipts, which will be deposited on or about the Issue Date with a custodian for, and registered in the name of, The Depository Trust Company ("**DTC**") or its nominee. Ownership interests in the Regulation S Global Notes and the Rule 144A Global Notes (together, the "**Global Notes**") will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream, Luxembourg and DTC and their respective participants. Until and including the 40th day after the later of the commencement of the offering and the closing of the offering of the Notes (the "**Distribution Compliance Period**"), beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg. Notes in definitive certificated form will be issued only in limited circumstances. See "*Form of the Notes*" and "*Book Entry Clearance Procedures*" below.

The Class A1A Notes will be represented by one or more registered notes in definitive form to be issued pursuant to, and in the circumstances specified in, the Class A1A Note Purchase Agreement and sold in reliance on Regulation S or Rule 144A, and will be substantially in the form as set out in the Trust Deed in the applicable Minimum Denominations and integral multiples in excess of the applicable Authorised Denomination.

Except for the information contained in this Prospectus in the section headed "*Description of the Collateral Manager*", the Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Collateral Manager accepts responsibility for the information contained in this Prospectus in the section headed "*Description of the Collateral Manager*" to the extent that it is correct to the best of its knowledge as at the Issue Date. To the best of the knowledge and belief of the Collateral Manager (the Collateral Manager having taken all reasonable care to ensure that such is the case), the information in respect of which it accepts responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information. The Collateral Manager does not accept any responsibility for the accuracy and completeness of any other information contained in this Prospectus nor otherwise for the structuring and operation of any arrangements relating to the Notes (save in its capacity as the Collateral Manager) referred to herein.

Save, in the case of the Collateral Manager, for the section described immediately above in respect of the Collateral Manager, none of Dresdner Bank AG London Branch, in its capacity as arranger (the "**Arranger**") and as initial purchaser of the Notes (the "**Initial Purchaser**"), the Trustee, the Collateral Manager, The Bank of New York (the "**Initial Hedge Counterparty**"), the Collateral Administrator, the Capital Commitment Registrar, the Liquidity Facility Provider, the Custodian, the Account Bank, the Paying Agents, the Registrar, the Transfer Agents, any Class A1A Noteholders or any Affiliate of any of them has separately verified the information contained in this Prospectus and accordingly none of the Arranger, the Initial Purchaser, the Trustee, the Collateral Manager, the Initial Hedge Counterparty, the Collateral Administrator, the Capital Commitment Registrar, the Liquidity Facility Provider, the Custodian, the Account Bank, the Paying Agents, the Registrar, the Transfer Agents, any Class A1A Noteholder or any Affiliate of any of them makes any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained in this Prospectus or in any further information, notice or other document which may at any time be supplied in connection with the Notes or their distribution or accepts any responsibility or liability therefor. Each person receiving this Prospectus acknowledges that such person has not relied on the Arranger, the Initial Purchaser, the Trustee, the Collateral Manager, the Initial Hedge Counterparty, the Collateral Administrator, the Capital Commitment Registrar, the Liquidity Facility Provider, the Custodian, the Account Bank, the Paying Agents, the Registrar, the Transfer Agents, any Class A1A Noteholder or any Affiliate of any of them in connection with its investigation of the accuracy of such information or its investment decision.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment,

with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Initial Purchaser, or any Affiliate of the Initial Purchaser to subscribe for or purchase, any of the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or invitation in such jurisdiction.

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. For a description of certain restrictions on offers and sales of Notes and the distribution and issue of this Prospectus and other documents, see "*Plan of Distribution and Transfer Restrictions*" below.

In connection with the issue and sale of the Notes, no person is authorised to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the Initial Purchaser or Affiliates of the Initial Purchaser. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

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

THE NOTES CANNOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO U.S. PERSONS UNLESS THEY ARE REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALE AND TRANSFER, SEE "*PLAN OF DISTRIBUTION AND TRANSFER RESTRICTIONS*".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER NEW HAMPSHIRE REVISED STATUTES ANNOTATED, CHAPTER 421-B ("RSA 421-B"), 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.

NOTICE TO UNITED KINGDOM INVESTORS

WITHIN THE UNITED KINGDOM, THIS PROSPECTUS IS DIRECTED ONLY AT PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND WHO QUALIFY EITHER AS INVESTMENT PROFESSIONALS IN ACCORDANCE WITH ARTICLE 19(5), OR AS HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, PARTNERSHIPS OR TRUSTEES IN ACCORDANCE WITH ARTICLE 49(2) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (TOGETHER, "**EXEMPT PERSONS**"). IT MAY NOT BE PASSED ON EXCEPT TO EXEMPT PERSONS OR OTHER PERSONS IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 DOES NOT APPLY

TO THE ISSUER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). THIS PROSPECTUS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS PROSPECTUS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSONS OTHER THAN RELEVANT PERSONS SHOULD NOT ACT OR RELY ON THIS PROSPECTUS.

NOTICE TO DANISH INVESTORS

THIS DOCUMENT AND THE NOTES OFFERED HEREIN HAVE NOT BEEN FILED WITH OR APPROVED BY THE DANISH FINANCIAL SUPERVISORY AUTHORITY OR ANY OTHER REGULATORY AUTHORITY IN THE KINGDOM OF DENMARK NOR DOES THIS DOCUMENT CONSTITUTE A PROSPECTUS OR OTHER PROMOTIONAL MATERIAL FOR THE PUBLIC OFFERING OF THE NOTES IN ACCORDANCE WITH DANISH LAW. ACCORDINGLY, THE NOTES OFFERED HEREIN MAY NOT BE OFFERED OR SOLD, INCLUDING ANY SUBSEQUENT RESALE OR OTHER TRANSFER OF THE NOTES, DIRECTLY OR INDIRECTLY, IN DENMARK, NOR MAY THIS DOCUMENT BE MARKETED OR DISTRIBUTED IN DENMARK EXCEPT IF IT IS IN COMPLIANCE WITH THE DANISH SECURITIES TRADING ACT AND ANY EXECUTIVE ORDERS ISSUED THEREUNDER, INCLUDING EXECUTIVE ORDER NO. 306 OF 28 APRIL 2005 AND EXECUTIVE ORDER NO. 307 OF 28 APRIL 2005 ON THE FIRST PUBLIC OFFER OF CERTAIN SECURITIES, EACH AS AMENDED OR REPLACED FROM TIME TO TIME.

NOTICE TO FRENCH INVESTORS

THE NOTES HAVE NOT BEEN AND WILL NOT BE OFFERED OR SOLD TO THE PUBLIC IN FRANCE (*APPEL PUBLIC Á L'ÉPARGNE*), DIRECTLY OR INDIRECTLY, AND NO OFFERING OR MARKETING MATERIALS RELATING TO THE NOTES MUST BE MADE AVAILABLE OR DISTRIBUTED IN ANY WAY THAT WOULD CONSTITUTE, DIRECTLY OR INDIRECTLY, AN OFFER TO THE PUBLIC IN THE REPUBLIC OF FRANCE.

THE NOTES MAY ONLY BE OFFERED OR SOLD IN THE REPUBLIC OF FRANCE TO PROVIDERS OF INVESTMENT SERVICES RELATING TO PORTFOLIO MANAGEMENT FOR THE ACCOUNT OF THIRD PARTIES, AND/OR QUALIFIED INVESTORS (*INVESTISSEURS QUALIFIÉS*) AND/OR TO A LIMITED GROUP OF INVESTORS (*CERCLE RESTREINT D'INVESTISSEURS*), AS DEFINED IN AND IN ACCORDANCE WITH ARTICLES L.411-1, L.411-2 AND D.411-1 OF THE FRENCH *CODE MONÉTAIRE ET FINANCIER*.

ANY CONTACTS WITH POTENTIAL INVESTORS IN FRANCE DO NOT AND WILL NOT CONSTITUTE FINANCIAL OR BANKING SOLICITATION (*DÉMARCHAGE BANCAIRE OU FINANCIER*) AS DEFINED IN ARTICLES L.341-1 *ET SEQ.* OF THE FRENCH *CODE MONÉTAIRE ET FINANCIER*.

PROSPECTIVE INVESTORS ARE INFORMED THAT:

(A) THIS PROSPECTUS HAS NOT BEEN SUBMITTED FOR CLEARANCE TO THE FRENCH FINANCIAL MARKET AUTHORITY (*AUTORITÉ DES MARCHÉS FINANCIERS*) AND DOES NOT CONSTITUTE AN OFFER FOR SALE OR SUBSCRIPTION OF THE NOTES;

(B) ANY QUALIFIED INVESTORS (*INVESTISSEURS QUALIFIÉS*) AS DEFINED UNDER ARTICLE D.411-1 I OR II OF THE FRENCH *CODE MONÉTAIRE ET FINANCIER*, SUBSCRIBING FOR THE NOTES, SHOULD BE ACTING FOR THEIR OWN ACCOUNT; AND

(C) THE DIRECT AND INDIRECT DISTRIBUTION OR SALE TO THE PUBLIC OF THE NOTES ACQUIRED BY THEM MAY ONLY BE MADE IN COMPLIANCE WITH ARTICLES L.411-1, L.411-2, L.412-1 AND L.621-8 OF THE FRENCH *CODE MONÉTAIRE ET FINANCIER*.

NOTICE TO GERMAN INVESTORS

THE NOTES MAY BE QUALIFIED AS A FOREIGN INVESTMENT FUND SUBJECT TO THE GERMAN INVESTMENT ACT (*INVESTMENTGESETZ* - "**InvG**") OF 15 DECEMBER 2003, AS AMENDED. NO AUTHORISATION FROM THE GERMAN FEDERAL FINANCIAL SUPERVISORY

AUTHORITY (*BUNDESANSTALT FÜR FINANZDIENSTLEISTUNGSAUFSICHT* - "**BaFin**") HAS BEEN OBTAINED IN CONNECTION WITH THE OFFERING AND DISTRIBUTION OF THE NOTES IN THE FEDERAL REPUBLIC OF GERMANY. ACCORDINGLY, THE INITIAL PURCHASER HAS AGREED THAT THE NOTES MAY NOT BE PUBLICLY OFFERED OR DISTRIBUTED IN OR FROM THE FEDERAL REPUBLIC OF GERMANY, AND THE INITIAL PURCHASER HAS AGREED THAT NEITHER THIS PROSPECTUS NOR ANY OTHER OFFERING MATERIALS RELATING TO ANY OF THE NOTES MAY BE PUBLICLY DISTRIBUTED IN CONNECTION WITH ANY SUCH OFFERING OR DISTRIBUTION. THE INITIAL PURCHASER WILL REPRESENT AND AGREE THAT (A) IT HAS NOT PREPARED OR PUBLISHED ANY SELLING PROSPECTUS (*VERKAUFSPROSPEKT*) WITHIN THE MEANING OF THE GERMAN SECURITIES PROSPECTUS ACT (*WERTPAPIERPROSPEKTGESETZ* – "**WpPG**") AS OF 22 JUNE 2005, EFFECTIVE AS OF 1 JULY 2005, AS AMENDED, TO BE APPROVED BY THE BaFin AND (B) IT HAS NOT OFFERED OR SOLD OR WILL NOT OFFER OR SELL OR PUBLICLY PROMOTE OR ADVERTISE IN THE FEDERAL REPUBLIC OF GERMANY OTHER THAT IN COMPLIANCE WITH THE PRIVATE PLACEMENT RULES UNDER THE InvG, IF APPLICABLE, AND THE WpPG, OR ANY OTHER LAWS AND REGULATIONS APPLICABLE IN THE FEDERAL REPUBLIC OF GERMANY GOVERNING THE ISSUE, OFFERING AND SALE OF SECURITIES. THIS PROSPECTUS IS FOR THE RESPECTIVE RECIPIENT ONLY AND MAY NOT IN ANY WAY BE FORWARDED TO ANY OTHER PERSON OR TO THE PUBLIC IN GERMANY. ANY ON-SALE OF THE NOTES IS ONLY PERMISSIBLE IN ACCORDANCE WITH THE PRIVATE PLACEMENT RULES UNDER THE InvG, IF APPLICABLE, AND THE WpPG. ANY USE IN THIS PROSPECTUS OF THE TERMS "**FUND**" OR "**INVESTMENT**", OR TERMS WITH SIMILAR MEANINGS, SHOULD NOT BE INTERPRETED TO IMPLY THAT THE BaFin HAS REVIEWED OR GIVEN THEIR APPROVAL TO ANY INFORMATION CONTAINED THEREIN.

NOTICE TO U.S. INVESTORS

EACH PURCHASER OF NOTES FROM THE INITIAL PURCHASER SOLD IN THE UNITED STATES IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREOF, AND EACH SUBSEQUENT PURCHASER AND TRANSFEREE, SHALL BE DEEMED TO (I) REPRESENT THAT IT IS BOTH A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (A "**QUALIFIED INSTITUTIONAL BUYER**") AND A QUALIFIED PURCHASER, FOR PURPOSES OF THE INVESTMENT COMPANY ACT (A "**QUALIFIED PURCHASER**"), PURCHASING FOR ITS OWN ACCOUNT OR ONE OR MORE ACCOUNTS WITH RESPECT TO WHICH IT EXERCISES SOLE INVESTMENT DISCRETION, EACH OF WHICH IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, AND IN EACH CASE IS PURCHASING THE NOTES FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO THE RESALE, DISTRIBUTION OR OTHER DISPOSITION THEREOF, (II) REPRESENT THAT IT IS NOT (X) A DEALER OF THE TYPE DESCRIBED IN PARAGRAPH (A)(1)(II) OF RULE 144A UNLESS IT OWNS AND INVESTS ON A DISCRETIONARY BASIS NOT LESS THAN U.S.$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED TO IT, (Y) A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, OR ANY OTHER TYPE OF PLAN REFERRED TO IN PARAGRAPH (A)(1)(I)(D) OR (A)(1)(I)(E) OF RULE 144A, OR A TRUST FUND REFERRED TO IN PARAGRAPH (A)(1)(I)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN, OR (Z) FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHERE EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (III) REPRESENT THAT IT, AND EACH ACCOUNT FOR WHICH IT IS PURCHASING, WILL HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATION, (IV) ACKNOWLEDGE THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY REGISTRIES AND (V) ACKNOWLEDGE THAT THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE RE-OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A QUALIFIED PURCHASER THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, PURCHASING FOR ITS OWN ACCOUNT OR ONE OR MORE ACCOUNTS WITH RESPECT TO WHICH IT EXERCISES SOLE INVESTMENT DISCRETION, EACH OF WHICH IS A QUALIFIED PURCHASER THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND FROM WHICH THE SAME REPRESENTATIONS AND ACKNOWLEDGEMENTS ARE RECEIVED AS

GIVEN BY THE PURCHASER IN THIS SENTENCE, NONE OF WHICH IS (X) A DEALER OF THE TYPE DESCRIBED IN PARAGRAPH (A)(1)(II) OF RULE 144A UNLESS IT OWNS AND INVESTS ON A DISCRETIONARY BASIS NOT LESS THAN U.S.$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED TO IT, (Y) A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, OR ANY OTHER TYPE OF PLAN REFERRED TO IN PARAGRAPH (A)(1)(I)(D) OR (A)(1)(I)(E) OF RULE 144A, OR A TRUST FUND REFERRED TO IN PARAGRAPH (A)(1)(I)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN, OR (Z) FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHERE EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), OR (2) TO A PERSON THAT IS NEITHER A U.S. PERSON NOR A U.S. RESIDENT IN AN "OFFSHORE TRANSACTION" IN RELIANCE ON REGULATION S. FOR A DESCRIPTION OF THESE AND CERTAIN OTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THIS PROSPECTUS, SEE "*PLAN OF DISTRIBUTION AND TRANSFER RESTRICTIONS*".

EACH PURCHASER OF NOTES FROM THE INITIAL PURCHASER SOLD OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S WILL BE DEEMED TO REPRESENT THAT IT (I) IS NEITHER A U.S. PERSON NOR A U.S. RESIDENT, (II) IS AWARE THAT THE SALE TO IT IS BEING MADE IN RELIANCE ON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY REGULATION S THEREUNDER, (III) IS ACQUIRING SUCH NOTES FOR ITS OWN ACCOUNT OR ONE OR MORE ACCOUNTS WITH RESPECT TO WHICH IT EXERCISES SOLE INVESTMENT DISCRETION, NONE OF WHICH IS A U.S. PERSON OR A U.S. RESIDENT, AND (IV) IS NOT PURCHASING SUCH NOTES WITH A VIEW TO THE RESALE, DISTRIBUTION OR OTHER DISPOSITION THEREOF IN THE UNITED STATES OR TO A U.S. PERSON OR A U.S. RESIDENT.

EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT SUCH PERSON HAS NOT RELIED UPON THE ISSUER OR THE INITIAL PURCHASER OR ANY OF ITS AFFILIATES IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF THE INFORMATION CONTAINED IN THIS PROSPECTUS OR ITS INVESTMENT DECISIONS.

NEITHER THE ISSUER NOR THE PORTFOLIO HAS BEEN REGISTERED AS AN "INVESTMENT COMPANY" UNDER THE INVESTMENT COMPANY ACT, IN RELIANCE ON THE EXCLUSION CONTAINED IN SECTION 3(C)(7) THEREOF. NO TRANSFER OF THE NOTES THAT WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE PORTFOLIO TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT WILL BE PERMITTED.

THIS PROSPECTUS HAS BEEN PREPARED BY THE ISSUER SOLELY FOR USE IN CONNECTION WITH THE OFFERING AND THE LISTING OF THE NOTES DESCRIBED HEREIN (THE "**OFFERING**"). THE ISSUER AND THE INITIAL PURCHASER RESERVE THE RIGHT TO REJECT ANY OFFER TO PURCHASE NOTES IN WHOLE OR IN PART FOR ANY REASON, OR TO SELL LESS THAN THE STATED INITIAL PRINCIPAL AMOUNT OF ANY CLASS OF NOTES OFFERED HEREBY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC GENERALLY TO SUBSCRIBE FOR OR OTHERWISE ACQUIRE THE NOTES. EACH PROSPECTIVE PURCHASER OF THE NOTES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS NOTES OR POSSESSES OR DISTRIBUTES THIS PROSPECTUS, 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 INITIAL PURCHASER SHALL HAVE ANY RESPONSIBILITY THEREFOR.

IRS CIRCULAR 230 LEGEND

THIS PROSPECTUS WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL, STATE, OR LOCAL TAX PENALTIES. THIS PROSPECTUS WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE ISSUER, THE INITIAL PURCHASER AND/OR THE ARRANGER OF THE NOTES. EACH HOLDER SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with the sale of the Notes, the Issuer will be required pursuant to the Trust Deed 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 is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or exempt from reporting pursuant to Rule 12g3 2(b) under the Exchange Act. All information made available by the Issuer pursuant to the terms of this paragraph may also be obtained during usual business hours free of charge at the office of the Paying Agent in Ireland.

ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES

The Issuer is a company with limited liability incorporated under the laws of The Netherlands. All of the Managing Directors of the Issuer and the independent auditors named in this Prospectus are resident outside of the United States and substantially all of the assets of the Issuer are located outside the United States. It may not be possible, therefore, for Noteholders (a) to effect service of process upon certain of the Managing Directors or officers of the Issuer or (b) to enforce against any of them in the courts of a foreign jurisdiction judgments of courts of the United States predicated upon the civil liability of such persons under the United States securities laws. There is also doubt as to the direct enforceability in The Netherlands against any of these persons, in original action, or in action for the enforcement of judgments of United States courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

STABILISATION

In connection with the issue of the Notes, Dresdner Bank AG London Branch (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment shall be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

DEFINED TERMS

The Index of Defined Terms appearing at the end of this Prospectus contains references to the pages in this Prospectus where definitions of capitalised terms used herein can be found.

Unless otherwise specified or the context requires, references to "**Euro**", and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union, and references to "**Sterling**", "**pounds sterling**" and "**£**" are to the lawful currency for the time being of the United Kingdom.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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SUMMARY

This summary does not include all relevant information relating to the transaction described herein, particularly with respect to the risks and special considerations involved with such a transaction and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus and the related documents referred to herein. Prospective investors are advised to carefully read, and should rely solely on, the detailed information appearing elsewhere in this Prospectus relating to the Notes in making their investment decision. Capitalised terms not specifically defined in this summary have the meanings set out in Condition 1 (Definitions) under "Conditions of the Notes" below.

The Issuer:.....	Gresham Capital CLO IV B.V. (the "**Issuer**"), a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands, having its registered office at Rivierstaete Building, Amsteldijk 166, 1079 LH Amsterdam, The Netherlands. The entire issued share capital of the Issuer is held by a foundation (*stichting*), Stichting Gresham Capital CLO IV B.V., established under the laws of The Netherlands. The Issuer has been incorporated for the sole purpose of acquiring the Portfolio, issuing the Notes and engaging in certain related transactions.
The Collateral Manager:	Investec Principal Finance, a business unit division of Investec Bank (UK) Ltd. (the "**Collateral Manager**"), will manage the Portfolio under a collateral management agreement entered into on or about the Issue Date between, amongst others, the Issuer and the Collateral Manager (the "**Collateral Management Agreement**"). Pursuant to the Collateral Management Agreement, the Collateral Manager will, amongst other things, manage the selection, acquisition and disposal of the Collateral Debt Securities and other collateral (including exercising rights and remedies associated with the Collateral Debt Securities) in accordance with the terms of the Collateral Management Agreement.
The Collateral Administrator:	Certain administrative functions with respect to the Portfolio, including the calculation of the Coverage Tests, the preparation of certain reports in respect of the Portfolio, the operation of the Accounts and the application of monies in accordance with the Priorities of Payment, will be performed by Law Debenture Asset Backed Solutions Limited (in such capacity, the "**Collateral Administrator**") under the Collateral Administration Agreement.
The Trustee:	The Law Debenture Trust Corporation p.l.c., acting through its office at 100 Wood Street, London EC2V 7EX, will be the trustee for the Noteholders (the "**Trustee**"). The Trustee may retire by giving the Issuer not less than three months' written notice or the Trustee may be removed by an Extraordinary Resolution of the Controlling Class on not less than 90 days' written notice. Any retirement or removal of the Trustee shall not be effective until a successor trustee has been appointed.
Overview of the Notes:	The Notes will be issued and secured pursuant to a trust deed (the "**Trust Deed**") between, amongst others, the Issuer and the Trustee dated on or about 5 July 2007 (the "**Issue Date**"). Up to €75,000,000 Class A1A Senior Secured Floating Rate Variable Funding Notes due 2023 (the "**Class A1A Notes**");

	€75,000,000 Class A1B Senior Secured Floating Rate Notes due 2023 (including any Class A1B Refinancing Notes issued as described herein, the "**Class A1B Notes**"); €48,800,000 Class A2 Senior Secured Floating Rate Notes due 2023 (the "**Class A2 Notes**" and, together with the Class A1A Notes and the Class A1B Notes, the "**Class A Notes**" or the "**Senior Notes**"); €24,130,000 Class B Deferrable Secured Floating Rate Notes due 2023 (the "**Class B Notes**"); €21,900,000 Class C Deferrable Secured Floating Rate Notes due 2023 (the "**Class C Notes**"); €22,020,000 Class D Deferrable Secured Floating Rate Notes due 2023 (the "**Class D Notes**"); €10,780,000 Class E Deferrable Secured Floating Rate Notes due 2023 (the "**Class E Notes**" and, together with the Senior Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "**Rated Notes**"); and €32,800,000 Class N Subordinated Notes due 2023 (the "**Class N Notes**"). The Rated Notes and the Class N Notes are together referred to as the "**Notes**" and any one class of Notes being a "**Class**".
Status of the Notes:	Each Class of Notes will be secured limited recourse debt obligations of the Issuer and each Note of a specific Class will rank *pari passu* with each of the other Notes of such Class. Subject as provided below, the Class A1A Notes and the Class A1B Notes will rank *pari passu* amongst themselves and senior in respect of the Class A2 Notes. Subject as provided below, payments of principal on each Payment Date will rank in the following order of priority: (i) the Class A1A Notes and Class A1B Notes, *pari passu*; (ii) the Class A2 Notes; (iii) the Class B Notes; (iv) the Class C Notes; (v) the Class D Notes; (vi) the Class E Notes and (vii) the Class N Notes. Subject as provided below, payments of interest on each Payment Date will rank in the following order of priority: (i) the Class A1A Notes, including any Commitment Fee and Break Costs (other than in respect of any Class A1A Increased Margin) and Class A1B Notes, *pari passu*; (ii) the Class A2 Notes; (iii) the Class B Notes; (iv) the Class C Notes; (v) the Class D Notes; (vi) the Class E Notes and (vii) the Class N Notes. In the case of the redemption of the Notes pursuant to Condition 7(b) (*Optional Redemption*) and after enforcement of the security over the Collateral, the Senior Notes will rank *pari passu* amongst themselves. Notwithstanding the above, where interest is paid on the Class N Notes from amounts standing to the credit of the Collateral Enhancement Account which have been (i) transferred to the Collateral Enhancement Account in accordance with Condition 3(c)(i)(HH); or (ii) credited to the Collateral Enhancement Account as amounts representing Sale Proceeds of Collateral Enhancement Securities, such payments of interest on the Class N Notes will not

	be paid in accordance with the Priorities of Payment and may rank senior to payments in respect of the other Classes of Notes on a Payment Date. See "*Summary of Terms—Priorities of Payment*" and "*Description of the Accounts—Collateral Enhancement Account*" below.
Ratings:	It is a condition of the issuance of the Notes that the respective Classes of Notes be assigned at least the following ratings: *Senior Notes*: "AAA" by Fitch and "AAA" by S&P. *Class B Notes*: "AA" by Fitch and "AA" by S&P. *Class C Notes*: "A" by Fitch and "A" by S&P. *Class D Note*s: "BBB" by Fitch and "BBB" by S&P. *Class E Notes*: "BB" by Fitch and "BB" by S&P. The Collateral Manager will request that Fitch and S&P each confirms its rating of the Senior Notes and each other Class of the Rated Notes within 30 days after the Target Date.
Use of Proceeds:	The net proceeds of the issue and offering of the Notes will be applied by the Issuer as follows: (a) to fund or make provision for certain fees and expenses of the Issuer up to a maximum of €7,370,000; (b) to pay an up-front fee of €2,631,065 and any applicable VAT with respect thereto to the Collateral Manager on the Issue Date; (c) to pay the premium in respect of the Issuer entering into the Initial Hedge Agreement; and (d) any proceeds remaining will be deposited by the Issuer into the Initial Proceeds Account for the purchase, together with any Drawing made under the Class A1A Note Purchase Agreement, of Collateral Debt Securities during the Ramp-Up Period subject to the conditions set out herein. See "*Use of Proceeds*" below.
Class A1A Note Purchase Agreement:	Drawings made under the Class A1A Note Purchase Agreement shall be used by the Issuer in the acquisition of Collateral Debt Securities during the Ramp-Up Period and the Reinvestment Period. Euro Drawings shall be used to purchase additional Euro Collateral Debt Securities and Non-Euro Collateral Debt Securities during the Ramp-Up Period and the Reinvestment Period and Sterling Drawings shall be used to purchase Sterling Collateral Debt Securities during the Ramp-Up Period and the Reinvestment Period. The maximum aggregate principal amount of the Note Purchase Facility is €75,000,000 or its Sterling equivalent converted at the Issue Date Spot Rate in the case of any amounts drawn in Sterling (the "**Total Commitments**"). Drawings made under the Class A1A Note Purchase Agreement may be repaid on dates other than Payment Dates. Any Break Costs which will be calculated pursuant to the Class A1A Note

	Purchase Agreement, shall be payable on the relevant Payment Date. The holder of the Class A1A Notes or its guarantor, as the case may be, must satisfy certain Rating Requirements. If the holder of the Class A1A Notes or its guarantor, as the case may be, fails to satisfy the Rating Requirements set out in the Class A1A Note Purchase Agreement or otherwise defaults on its obligation to provide Drawings under the Class A1A Note Purchase Agreement, the holder of the Class A1A Notes shall be required to take such action as set out more specifically in the Class A1A Note Purchase Agreement. The Issuer may, in due course and from time to time, seek to refinance the Class A1A Notes through the issuance of Class A1B Refinancing Notes (denominated in Euro and having the same terms and conditions (in all respects save as to the first period of interest) as the Class A1B Notes), which, following their issuance, will be consolidated, rank *pari passu* and form a single series, with the Class A1B Notes (the "**Class A1B Refinancing Notes**"). Accordingly, the Class A1B Refinancing Notes will accrue interest at the same rate as the Class A1B Notes. If any Class A1B Refinancing Notes are issued, the Issuer shall repay Drawings on the date of the issuance of such Class A1B Refinancing Notes, subject to the Priorities of Payment, in an amount equal to the lesser of (1) the Total Outstandings and (2) the net proceeds of the issuance of such Class A1B Refinancing Notes and the Total Commitments shall automatically be cancelled. At no time will the aggregate principal amounts Outstanding under the Class A1B Notes and the Class A2 Notes, together with the aggregate at that time of all principal amounts drawn and any amount available for drawing under the Class A1A Notes, exceed €198,800,000 (converting any Sterling Drawing under the Class A1A Notes into Euro using the Issue Date Spot Rate). The "**Issue Date Spot Rate**" means €1.0 to £0.6748. No Notes other than the Class A1B Refinancing Notes will be issued to refinance amounts owing under the Class A1A Note Purchase Agreement. See "*Description of the Class A1A Note Purchase Agreement*" below.
Sterling Funding Mismatch:	In the event of a Sterling Funding Mismatch, such Sterling Funding Mismatch shall be cured using Interest Proceeds as further described in Condition 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) and using Principal Proceeds as further described in Condition 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*).
Voting Rights of the Class A1A Noteholders:	For the purposes of voting on resolutions and issuing directions and any other decisions required to be made by any Class of Noteholders from time to time, in the case of the Class A1A Noteholders, votes shall be determined by reference to the Total Commitments at such time.

Commitment Fee	The Issuer shall pay to the Class A1A Noteholders a commitment fee (the "**Commitment Fee**") in Euro in respect of each Interest Accrual Period which: (a) shall be calculated on the basis of actual days elapsed in such Interest Accrual Period and a 360 day year at the rate of 0.15 per cent. per annum of the daily weighted average amount of the Undrawn Amount during such Interest Accrual Period; and (b) shall be paid to the Class A1A Noteholders, in respect of each Interest Accrual Period, on the Payment Date immediately following the end of such Interest Accrual Period in accordance with the Priorities of Payment.
Priorities of Payment:	Prior to enforcement of the security constituted by the Trust Deed and optional redemption under Condition 7(b) (*Optional Redemption*), Interest Proceeds and Principal Proceeds shall be applied in payment of interest and principal payable in respect of the Notes and amounts payable to the other creditors of the Issuer in accordance with the Priorities of Payment set out in Condition 3(c) (*Priorities of Payment*). On and following enforcement of the security constituted by the Trust Deed or optional redemption under Condition 7(b) (*Optional Redemption*), Interest Proceeds and Principal Proceeds shall be applied in accordance with the Priorities of Payment specified in Condition 11 (*Enforcement*).
Interest Payments:	Subject to the provisions below, the first Interest Accrual Period in respect of the Notes (other than the Class A1A Notes and the Class A1B Refinancing Notes) shall commence on (and include) the Issue Date and end on (and exclude) the Payment Date falling in January 2008 and, thereafter, interest in respect of the Notes of each Class will be payable semi-annually in arrear on the 18th day of January and July of each year (subject in each case to adjustment for non-Business Days), at maturity and upon any redemption of the Notes (each such date a "**Payment Date**"), *provided* that the first Payment Date is 18 January 2008. Each Class of Notes shall bear interest at the following rates: *Class A1A Notes*: the rate determined in accordance with Condition 6 (*Interest*); *Class A1B Notes*: Applicable EURIBOR plus 0.23 per cent. per annum (the "**Class A1B Note Interest Rate**") (and including any Class A1B Refinancing Notes, if issued); *Class A2 Notes*: Applicable EURIBOR plus 0.32 per cent. per annum (the "**Class A2 Note Interest Rate**"); *Class B Notes*: Applicable EURIBOR plus 0.42 per cent. per annum (the "**Class B Note Interest Rate**"); *Class C Notes*: Applicable EURIBOR plus 0.70 per cent. per annum (the "**Class C Note Interest Rate**"); *Class D Notes*: Applicable EURIBOR plus 1.70 per cent. per annum (the "**Class D Note Interest Rate**"); *Class E Notes*: Applicable EURIBOR plus 3.95 per cent. per annum (the "**Class E Note Interest Rate**"); and

	Class N Notes: on an available funds basis subject to payment of items in priority thereto in accordance with the Priorities of Payment. The interest amounts payable on any Payment Date with respect to each Class of Notes will be calculated in accordance with the provisions of Condition 6 (*Interest*) and will be paid in accordance with the Priorities of Payment. With respect to the Class N Notes, available funds, if any, for the payment of interest may be paid only after the payment of, *inter alia*, certain fees and expenses and interest payable in respect of the Senior Notes and the other senior Classes of Notes, *provided* that, at the discretion of the Collateral Manager, amounts up to 50 per cent. of the amounts which would otherwise have been payable as interest on the Class N Notes in accordance with Condition 3(c)(i)(HH) (*Application Interest Proceeds on Payment Dates*) (up to a maximum aggregate amount of €5,000,000 or its equivalent in Sterling) may be transferred to the Collateral Enhancement Account and applied in the acquisition or exercise of rights under Collateral Enhancement Securities in accordance with the Collateral Management Agreement. Amounts standing to the credit of the Collateral Enhancement Account may be applied in paying interest on the Class N Notes.
Consequences of Non-Payment of Interest:.....	Non-payment of interest (and with respect to the Class A1A Notes, including any Commitment Fee and Break Costs but excluding any Class A1A Increased Margin) in respect of the Notes Outstanding of the Controlling Class only, will (upon expiry of the applicable grace period) constitute an Issuer Event of Default pursuant to Condition 10(a) (*Events of Default*), following the occurrence of which the security over the Collateral will become enforceable pursuant to the terms of Condition 11 (*Enforcement*). For the avoidance of doubt, the non-payment of interest in respect of any Class of Notes Outstanding other than the Controlling Class shall not constitute an Issuer Event of Default and at no time will non-payment of interest in respect of the Class N Notes constitute an Issuer Event of Default.
Reinvestment Period:	The Reinvestment Period is the period from the Issue Date up to but excluding the Determination Date immediately preceding the Payment Date falling in July 2013. The Reinvestment Period shall automatically terminate upon the earliest of (i) the Payment Date on which the entire aggregate principal amount outstanding of all of the Notes is to be optionally redeemed and (ii) the date of the occurrence of an Issuer Event of Default. The Reinvestment Period may also be terminated earlier at the option of the Issuer, if at any time the Collateral Manager (acting in its sole and absolute discretion on behalf of the Issuer) by notice certifies to the Issuer that it has, after making all reasonable efforts to do so, been unable for reasons beyond its control to identify Additional Collateral Debt Securities that are deemed appropriate by the Collateral Manager (acting reasonably in accordance with its normal practice and acting on behalf of the Issuer) and which meet the Eligibility Criteria or, to the extent applicable, the Reinvestment Criteria in sufficient amounts to permit investment or reinvestment of the funds required to be invested by the Issuer,

	provided that the Issuer has obtained the consent of the holders of at least 50 per cent. of the aggregate principal amount outstanding of the Class N Notes (including for this purpose any of the Notes held by the Collateral Manager and its Affiliates) that the Reinvestment Period may be terminated prior to but excluding the Determination Date immediately preceding the Payment Date falling in July 2013.
Maturity and Average Life and Duration:	The Notes of each Class Outstanding will mature at their principal amounts outstanding on 18 July 2023 (subject to adjustment for non-Business Days) (the "**Maturity Date**"), in each case unless repaid or redeemed prior to the Maturity Date. The average life of each Class of the Notes is expected to be equal to or shorter than the number of years between the Issue Date and the Maturity Date.
Redemption of the Notes:	Principal payments on the Notes will be made in the following circumstances, each as described in further detail below: (a) *Final Redemption*: On the Maturity Date. See Condition 7(a) (*Final Redemption*). (b) *Optional Redemption; Class N Noteholders*: All (but not some) of the Notes shall be redeemed at their applicable Redemption Prices by the Issuer at the request in writing of the holders of at least 66⅔ per cent. of the aggregate principal amount of Class N Notes Outstanding on any Payment Date falling on or after the fifth anniversary of the Issue Date or, on any Payment Date following the occurrence of a Collateral Tax Event, subject to certain conditions. See Condition 7(b)(i)(A) (*Optional Redemption—Redemption of the Class N Noteholders*). (c) *Optional Redemption; Tax Reasons*: All (but not some) of the Notes shall be redeemed at their applicable Redemption Prices by the Issuer with the consent in writing of the holders of at least $66^{2}/_{3}$ per cent. of the aggregate principal amount of Class N Notes Outstanding or the consent in writing of the Trustee acting on the directions of the holders of at least $66^{2}/_{3}$ per cent. of the aggregate principal amount outstanding of the Controlling Class on any Payment Date following the occurrence of a Tax Event, subject to certain conditions. See Condition 7(b)(i)(B) (*Redemption for Tax Reasons*). (d) *Mandatory Redemption; Breach of Coverage Test*: In the event that any one of the Coverage Tests (as determined by the Collateral Administrator) is not satisfied on any Determination Date, on the Payment Date following such Determination Date, Interest Proceeds and thereafter Principal Proceeds will be used, each subject to the applicable Priorities of Payment, to redeem the Notes, in whole or in part, to the extent necessary to ensure the relevant Coverage Tests are satisfied if recalculated following such redemption. See Condition 7(c)(i) (*Redemption upon Breach of Coverage Test*). (e) *Mandatory Redemption; Target Date Rating Downgrade*: If a Target Date Rating Downgrade occurs and is continuing on the Business Day prior to a Payment Date, Interest Proceeds and, thereafter, Principal Proceeds will be applied, subject to the Priorities of Payment, on such Payment Date to redeem the Notes, in whole or in part, until the Rating Agencies confirm

in writing that each such rating is reinstated. See Condition 7(c)(ii) (*Redemption Following Target Rate Rating Downgrade*).

(f) *Mandatory Redemption After the Reinvestment Period*: On each Payment Date after the end of the Reinvestment Period, Principal Proceeds (other than certain Unscheduled Principal Proceeds and Sale Proceeds from Credit Improved Securities, which at the option of the Collateral Manager may be invested in Collateral Debt Securities) will be applied, subject to the Priorities of Payment, to redeem the Notes. See Condition 7(c)(iii) (*Redemption Following Expiry of the Reinvestment Period*).

(g) *Mandatory Redemption Upon Breach of Reinvestment OC Test*: On each Payment Date after the end of the Reinvestment Period, in the event that the Reinvestment OC Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Measurement Date, Interest Proceeds net of the amounts payable under Condition 3(c)(i)(A) to (Z) (inclusive) will be used, subject to the Priorities of Payment, to redeem the Notes, in whole or in part, to the extent necessary to cause the Reinvestment OC Test to be met if recalculated following such redemption or repayment. See Condition 7(c)(iv) (*Redemption upon Breach of Reinvestment OC Test*).

(h) *Redemption upon Sterling Funding Mismatch*: On each Payment Date, in the event that there is a Sterling Funding Mismatch, Interest Proceeds and Principal Proceeds will be used in accordance with the Priorities of Payment to repay the Sterling Drawings (on a *pro rata* basis), in whole or in part, to the extent necessary to cure such Sterling Funding Mismatch. See Condition 7(c)(v) (*Redemption upon Sterling Funding Mismatch*).

(i) *Special Redemption at the option of the Collateral Manager*: Save as provided below, principal on the Notes shall be paid in accordance with Condition 3(c)(iii)(O) (*Application of Principal Proceeds on Payment Dates*) by the Issuer on the direction of the Collateral Manager (acting in its sole and absolute discretion on behalf of the Issuer) if, at any time during the Reinvestment Period, the Collateral Manager (acting on behalf of the Issuer) by notice certifies to the Issuer and the Trustee that for a period of 90 days following receipt of such funds it has been unable to identify Additional Collateral Debt Securities that are deemed appropriate by the Collateral Manager (in its discretion and acting on behalf of the Issuer) and which meet the Eligibility Criteria or, to the extent applicable, the Reinvestment Criteria and the Additional Reinvestment Criteria, in sufficient amounts to permit the investment or reinvestment of all or a portion of the funds then held in the Principal Collection Account that are to be invested in Additional Collateral Debt Securities (a "**Special Redemption**"). See Condition 7(d) (*Redemption at the Option of the Collateral Manager*).

(j) *Redemption of Class A1A Notes*: The Class A1A Notes may be redeemed by the Issuer subject to and in accordance with the terms of the Class A1A Note Purchase Agreement.

Security for the Notes:	The Notes will be limited recourse debt obligations of the Issuer secured in favour of the Trustee for the benefit of the Secured Parties by, amongst other things, (a) a first fixed charge over and/or assignment by way of security of all rights of the Issuer in respect of: (i) the Portfolio, (ii) any Eligible Investments, (iii) the Accounts and (iv) the Transaction Documents, and (b) a floating charge over all the other assets (including all cash and other property) and undertakings of the Issuer (present and future) excluding (A) any and all assets, property or rights which are located in, or governed by the laws of, The Netherlands (except for contractual rights or receivables (*rechten of vorderingen op naam*) which are assigned or charged to the Trustee); (B) any and all Dutch Ineligible Securities; (C) the Issuer's rights under the Management Agreement; (D) the Issuer's rights in respect of and any and all amounts standing to the credit of the Issuer Dutch Account (together, the "**Collateral**"). See Condition 4(a) (*Security*) and "*Description of the Portfolio*" below.
Purchase of Collateral Debt Securities:.....	It is anticipated that the Issuer will have purchased or entered into agreements to purchase Collateral Debt Securities the aggregate Principal Balance of which will be equal to at least 70 per cent. of the Target Par Amount on or prior to the Issue Date. After the Issue Date, the Collateral Manager, on behalf of the Issuer, will purchase additional Collateral Debt Securities during the Ramp-Up Period using the proceeds of the issue of the Notes, drawings under the Class A1A Notes and Principal Proceeds. Subject to the terms and conditions described in this Prospectus, the Collateral Manager, on behalf of the Issuer, may also purchase Additional Collateral Debt Securities during and after the Reinvestment Period. See "*Description of the Portfolio—Ramp-Up Period*" and "*Description of the Portfolio—Sale of Collateral Debt Securities and Reinvestment Criteria*" below. It is intended that the aggregate Principal Balance of Collateral Debt Securities as at the end of the Ramp-Up Period will be €300,000,000 (the "**Target Par Amount**") (the Sterling amount of any Sterling denominated Collateral Debt Securities to be converted into Euro at the Issue Date Spot Rate).
Collateral Quality Tests, Eligibility Criteria and the Coverage Tests:.....	The Collateral Quality Tests, paragraph (c) of the Eligibility Criteria and the Coverage Tests are not required to be satisfied on the Issue Date but are expected to be satisfied as at the Target Date. In addition, after the Target Date, the Reinvestment Criteria and the Additional Reinvestment Criteria must be satisfied before and after giving effect to the purchase of any Additional Collateral Debt Securities to the extent required pursuant to the Collateral Management Agreement. See "*Description of the Portfolio*".
Collateral Quality Tests[1]:	

Collateral Quality Tests	Required
Maximum Weighted Average Fitch Rating Factor Test	See Matrix
Minimum Fitch Weighted Average Recovery Rate Test	See Matrix
Weighted Average Life Test	See Matrix

[1] For a more complete description of each of the Collateral Quality Tests, see "*Description of the Portfolio—The Collateral Quality Tests*".

Collateral Quality Tests	Required
Minimum Weighted Average Spread Test	See Matrix
S&P Minimum Weighted Average Recovery Rate Test	See Matrix
CDO Evaluator Test	Positive

Certain Eligibility Criteria[2]: .....

Criteria	Percentage Permitted of the Maximum Investment Amount
Mezzanine Loans, Senior Lien Loans, CLO Securities or Special Debt Securities (collectively)	Max 12.5 per cent.
CLO Securities	Max 5 per cent.
Special Debt Securities	Max 5 per cent.
Synthetic Securities, Participations and Collateral Debt Securities the subject of Securities Lending Agreements	Max 20 per cent.
Collateral Debt Securities pertaining to U.S. obligors	Max 20 per cent.
Synthetic Securities or Participations with a counterparty rated less than "A-1+" by S&P or Collateral Debt Securities where obligor is from a country rated less than "AA" by S&P (other specified bivariate risk exposure limits apply)	Max 20 per cent.
Sterling Collateral Debt Securities	Max 25 per cent.
Sterling Collateral Debt Securities together with Non-Euro Collateral Debt Securities denominated in Sterling	Max 35 per cent.
PIK Securities	Max 5 per cent.
Bank Loans, any single obligor	Max €7,500,000 or £5,061,000
Bank Loans, 2 out of 4 obligors	Max €11,500,000 or £7,760,200
Bank Loans, remaining 2 out of 4 obligors	Max €9,000,000 or £6,073,200
Mezzanine Loans, Senior Lien Loans, CLO Securities or Special Debt Securities, any single obligor	Max €4,500,000 or £3,036,600
Mezzanine Loans, Senior Lien Loans, CLO Securities or Special Debt Securities, up to five obligors	Max €6,000,000 or £4,048,800
Collateral Debt Securities comprised in any single Fitch Industry Category	Max 15 per cent.
Collateral Debt Securities comprised in any of the three largest Fitch Industry Categories	Max 35 per cent.

Coverage Tests: ..... Payments under the Notes are subject to the Coverage Tests. The Coverage Tests will include the following: (i) the Senior Overcollateralisation Ratio Test; (ii) the Class B Overcollateralisation Ratio Test; (iii) the Class C Overcollateralisation Ratio Test; (iv) the Class D

[2] For a more complete description of the Eligibility Criteria, see "*Description of the Portfolio—Eligibility Criteria*".

	Overcollateralisation Ratio Test; (v) the Class E Overcollateralisation Ratio Test; and (vi) the Senior Interest Coverage Test. A breach of a Coverage Test will cause redemption of the Notes of the Class to which such Coverage Test relates and all prior ranking Classes of Notes in accordance with the Priorities of Payment on the related Payment Date; such redemption to be applied out of Interest Proceeds and Principal Proceeds. Each of the Coverage Tests shall be satisfied on a Measurement Date on or after the Target Date if the corresponding Overcollateralisation Ratio on such Measurement Date is at least equal to the percentage specified in the table below in relation to the respective Coverage Test. **Class** — **Required Overcollateralisation Ratio** A — 133.9 per cent. B — 125.0 per cent. C — 116.6 per cent. D — 109.1 per cent. E — 104.9 per cent. The Senior Interest Coverage Test shall be satisfied on a Measurement Date on or after the Target Date if the Senior Interest Coverage Ratio on such Measurement Date is at least equal to 105.0 per cent.
Collateral Enhancement Securities:	Collateral Enhancement Securities are comprised of warrants and equity securities (excluding any Defaulted Equity Securities or Dutch Ineligible Securities or Margin Stock (as defined under Regulation U issued by the Board of Governors of the United States Federal Reserve System)), including, without limitation, warrants attached to Mezzanine Loans or Second Lien Loans and any equity security received upon conversion or exchange of, or exercise of an option under, or any warrant or equity security purchased as part of a unit with, or otherwise in respect of, a Collateral Debt Security. The ratings assigned by the Rating Agencies to the Senior Notes and the other Classes of Rated Notes do not take into account the value of the Collateral Enhancement Securities. Accordingly, Collateral Enhancement Securities are excluded from any determination of satisfaction of the Coverage Tests or the Collateral Quality Tests and neither the Eligibility Criteria nor the Reinvestment Criteria apply to Collateral Enhancement Securities. Collateral Enhancement Securities will either be purchased by or on behalf of the Issuer in accordance with the Collateral Management Agreement as part of a unit with Collateral Debt Securities or be purchased independently out of amounts standing to the credit of the Collateral Enhancement Account from time to time (which shall be funded out of amounts which would otherwise be payable to the Class N Noteholders in accordance with the Priorities of Payment). See "*Description of the Portfolio—Collateral Enhancement Securities*" below. Amounts standing to the credit of the Collateral Enhancement Account may be applied by the Collateral Manager (on behalf of the Issuer) as set out in "*Description of the Accounts—Collateral Enhancement Account*".
Securities Lending:	Subject to certain conditions, the Issuer (or the Collateral Manager on behalf of the Issuer) will be permitted to lend the Collateral Debt Securities under Securities Lending Agreements. See "*Description of the Portfolio—Securities Lending*" below.

Reinvestment in Collateral Debt Securities:	Subject to certain limits, Principal Proceeds, Drawings under the Class A1A Notes and the amount credited to each of the Initial Proceeds Account, the Additional Collateral Account and the Sterling Additional Collateral Account may be used during the Reinvestment Period to purchase Collateral Debt Securities meeting the Reinvestment Criteria. Subject to certain limits, certain Unscheduled Principal Proceeds and Sale Proceeds from Credit Improved Securities may be used after the Reinvestment Period to purchase Collateral Debt Securities meeting the Reinvestment Criteria and the Additional Reinvestment Criteria. See "*Description of the Portfolio—Sale of Collateral Debt Securities and Reinvestment Criteria*" below.
Fees paid to Collateral Manager:	The Collateral Manager shall, subject to the Priorities of Payment and the limited recourse and non-petition provisions of the Collateral Management Agreement (which are similar to Condition 4(c) (*Limited Recourse and Non-Petition*)), be paid: (a) an up-front fee and any applicable VAT payable thereon on the Issue Date; (b) the Base Collateral Management Fee in arrear on each Payment Date; (c) the Subordinated Collateral Management Fee in arrear on each Payment Date; and (d) the Incentive Collateral Management Fee in arrear on each Payment Date, but only if the Incentive Management Fee Hurdle Rate is achieved. Any Base Collateral Management Fee and/or Subordinated Collateral Management Fee not paid on the Payment Date on which it is due will be added to the Base Collateral Management Fee and/or Subordinated Collateral Management Fee, respectively, due on the next occurring Payment Date.
Accounts:	The Issuer shall establish various accounts with the Account Bank prior to the Issue Date. The Issuer may also open custody accounts with the Custodian in accordance with the Agency Agreement. See "*Description of the Accounts*" below.
Eligible Investments:	Amounts standing to the credit of the Accounts may be invested by or on behalf of the Issuer in Eligible Investments.
Hedge Arrangements:	The Issuer will enter into various Sterling call options (each an "**Initial Hedge Transaction**" and together the "**Initial Hedge Transactions**") with The Bank of New York (the "**Initial Hedge Counterparty**") on the Issue Date. The Initial Hedge Transactions will be documented by a 1992 ISDA Master Agreement (*Multi-currency—Cross Border*) as published by the International Swaps and Derivatives Association, Inc., together with a schedule thereto and confirmations (the "**Initial Hedge Agreement**"). After the Issue Date, the Issuer may enter into further hedging arrangements to hedge interest rate or currency risks. The Issuer will have to obtain Rating Agency Confirmation prior to entering into any such hedging arrangements after the Issue Date unless such hedging arrangement is a Form-Approved Hedge. See "*Description of Hedge Arrangements*" below.

Liquidation of Collateral Debt Securities:.....	The Collateral Manager, on behalf of the Issuer, will sell or liquidate all Collateral (including any remaining Collateral Debt Securities, Eligible Investments and any remaining Hedge Agreements) for settlement no later than the Maturity Date and deposit the proceeds thereof in the relevant Accounts. On the Maturity Date, all net proceeds from such liquidation and sale and all available cash will be distributed to the holders of Notes that remain Outstanding and other creditors in accordance with the Priorities of Payment whereupon all remaining Notes will be cancelled.
Liquidity Facility:	For the period from the Issue Date until (and excluding) the date which falls 365 days after the Issue Date and, subject to extension in accordance with the terms of the Liquidity Facility Agreement, each subsequent period of 365 days, the Issuer will, subject to satisfaction of certain conditions, be entitled, on a date no later than 2 Business Days prior to a Payment Date, to make drawings under a liquidity facility in a minimum amount of €50,000 (or any equivalent thereof) (the "**Liquidity Facility**") pursuant to a liquidity facility agreement (the "**Liquidity Facility Agreement**") entered into on or about the Issue Date between, *inter alios*, the Issuer (as borrower) and Dresdner Bank AG London Branch (the "**Liquidity Facility Provider**"). The maximum amount of the Liquidity Facility will be €6,800,000 or its Sterling equivalent (converted from Euro using the Issue Date Spot Rate). Provided the Senior Overcollateralisation Ratio is at least 100 per cent. on the related Determination Date, the Issuer will be entitled to draw under the Liquidity Facility, an amount equal to the lesser of (a) the undrawn amount of the Liquidity Facility; (b) the Accrued Euro Collateral Interest Amount, with respect to any drawings denominated in Euro, and the Accrued Sterling Collateral Interest Amount, with respect to any drawings denominated in Sterling; and (c) such lesser amount as determined by the Collateral Manager on behalf of the Issuer (such amount allowed to be drawn, the "**Liquidity Limit**"). The undrawn amount of the Liquidity Facility shall be calculated by deducting all amounts drawn from the maximum amount of €6,800,000 or its Sterling equivalent (using the Issue Date Spot Rate). Accordingly, the Issuer will be able to draw down amounts under the Liquidity Facility up to the Liquidity Limit in order to make payments pursuant to the Priorities of Payment in respect of any drawings denominated in Euro or Sterling to meet any shortfalls in respect of the Euro Interest Proceeds, or as the case may be, Sterling Interest Proceeds. The Issuer shall procure that Interest Proceeds in respect of the Collateral Debt Securities in the Portfolio attributable to amounts funded pursuant to the Liquidity Facility which are paid to the Issuer will be deposited into the relevant Liquidity Payment Account (but only up to the maximum amount owing by the Issuer to the Liquidity Facility Provider under the Liquidity Facility Agreement in respect of the principal amount of any liquidity drawing and accrued interest thereon). In connection therewith, the money standing to the credit of each Liquidity Payment Account may be applied by the Issuer at its discretion at any time towards repayment of the principal amount of any liquidity drawing and accrued interest thereon in the accrual period following a drawdown date. In addition, the Issuer will be required to repay all remaining amounts due and owing to the Liquidity Facility

	Provider (including the outstanding principal amount of any liquidity drawing and accrued interest thereon) under the Liquidity Facility Agreement on each Payment Date. The commitment under the Liquidity Facility Agreement will be cancelled in full on the Payment Date on which the Class A Notes are redeemed in full. For the avoidance of doubt, subject to the provisions of the Priorities of Payment and Condition 3(c)(v) (*FX Conversion*), the Issuer shall only use Sterling Interest Proceeds to repay drawings denominated in Sterling and Euro Interest Proceeds to repay drawings denominated in Euro. The Liquidity Facility Provider is required to have a short term senior unsecured debt rating of at least "F1" by Fitch and "A-1" by S&P, *provided* that if such ratings are not maintained, the Issuer shall require the Liquidity Facility Provider, within 30 calendar days thereof, either to (i) find a replacement liquidity facility provider meeting the Rating Requirement who will enter into a liquidity facility agreement with the Issuer on substantially the same terms as the Liquidity Facility Agreement; or (ii) find a guarantor meeting the Rating Requirement to guarantee the obligations of the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement; or (iii) to pay into a designated account of the Issuer (the "**Stand-by Liquidity Account**") held with the Account Bank. The Liquidity Facility Provider will also be required to make such a payment to the Stand-by Liquidity Account where the Liquidity Facility Provider does not agree to extend the Commitment Period at the expiry of the then current Commitment Period. The Collateral Administrator shall on behalf of the Issuer invest the amounts not required to be utilised in the Stand-by Liquidity Account from time to time in Eligible Investments if directed to do so by the Liquidity Facility Provider in accordance with the provisions of the Liquidity Facility Agreement. Amounts standing to the credit of the Stand-by Liquidity Account will be available for drawing for the same purposes as they would have been available for drawing under the Liquidity Facility. The Liquidity Facility Provider must qualify as a "**professional market party**" for Dutch regulatory purposes.
The Offering:	The Notes of each Class are being offered (a) in the United States in reliance on the exemption from registration provided by Rule 144A to persons who are qualified institutional buyers (as defined in Rule 144A) (a "**Qualified Institutional Buyer**") and (b) outside the United States to persons who are neither U.S. persons (as defined in Regulation S) ("**U.S. Persons**") nor U.S. residents (as defined in the Investment Company Act) ("**U.S. Residents**") in offshore transactions in reliance on Regulation S and, in each case, in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Notes offered for sale to a U.S. Person will be offered only to a person that is a "**Qualified Purchaser**" as defined in the Investment Company Act.
Authorised Denominations:	Regulation S Notes (other than the Class A1A Regulation S Notes): €100,000 and integral multiples of €1,000 thereof. Rule 144A Notes (other than the Class A1A Rule 144A Notes): €500,000 and integral multiples of €1,000 thereof.

	Class A1A Regulation S Notes and Class A1A Rule 144A Notes: €1,000,000 or £500,000 and integral multiples of €1,000 or £500 thereof.
Form, Registration and Transfer of Notes:	Save as provided below with respect to the Class A1A Notes, the Notes of any Class offered in reliance on Regulation S under the Securities Act will be represented by one or more global certificates of each Class, in fully registered form, without interest coupons or principal receipts (each, a "**Regulation S Global Note**"), deposited with a common depositary for, and registered in the name of, a nominee on behalf of Euroclear and/or Clearstream, Luxembourg. Interests in a Regulation S Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg and its or their direct and indirect participants (including Euroclear and Clearstream, Luxembourg). Until and including the 40th day after the later of the commencement of the Offering and the closing of the Offering of the Notes (the "**Distribution Compliance Period**"), interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg. See "*Form of the Notes*" and "*Book Entry Clearance Procedures*" below. Save as provided below with respect to the Class A1A Notes, the Notes of any Class offered in the United States or to U.S. Persons or U.S. Residents in reliance on Rule 144A under the Securities Act will be represented by one or more global certificates of each Class, in fully registered form, without interest coupons or principal receipts (each, a "**Rule 144A Global Note**") deposited with a custodian for, and registered in the name of, a nominee of, DTC. Beneficial interests in a Rule 144A Global Note may only be held through, and transfers thereof will only be effected through, records maintained by DTC and its direct and indirect participants. See "*Form of the Notes*" and "*Book Entry Clearance Procedures*" below. Purchases of, and transfers of interests in, a Global Note are subject to certain acknowledgements, representations, agreements and restrictions and must be made in accordance with the procedures set forth in the Trust Deed and the Agency Agreement. See "*Form of the Notes*", "*Book Entry Clearance Procedures*" and "*Plan of Distribution and Transfer Restrictions*" below. Except only in limited circumstances described herein, Notes in definitive certificated form ("**Definitive Notes**") will not be issued in exchange for beneficial interests in either a Regulation S Global Note or a Rule 144A Global Note. See "*Form of the Notes—Exchange for Definitive Notes*" below. Class A1A Notes offered in reliance on Regulation S under the Securities Act and Rule 144A will be issued on the Issue Date in definitive, fully registered certificated form without interest coupons, registered in the name of the purchaser thereof (or its respective nominee). Ownership of the Class A1A Notes will be evidenced by the Capital Commitment Register held by the Capital Commitment Registrar and transfers of the Class A1A Notes will be effected in accordance with the Class A1A Note Purchase Agreement. See "*Form of the Notes*" and "*Book Entry Clearance Procedures*" below.

No Note (or any interest therein) may be transferred to a transferee acquiring a Rule 144A Note except (a) to a transferee whom the transferor reasonably believes is a Qualified Institutional Buyer, purchasing for its own account or to whom notice is given that the resale, pledge or other transfer is being made in reliance on an exemption from the registration requirements of the Securities Act, (b) to a transferee that is a "qualified purchaser" as defined in the Investment Company Act, (c) in compliance with the certification (if any) and other requirements set forth in the Trust Deed or the Agency Agreement and (d) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. See "*Plan of Distribution and Transfer Restrictions*" below.

No Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Regulation S Note except (a) to a transferee who is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Regulation S, (b) to a transferee (other than any transferee who acquires an interest in a Regulation S Global Note after the end of the Distribution Compliance Period in an offshore transaction in accordance with Rule 904 of Regulation S) who is not a U.S. Person or a U.S. Resident, (c) in compliance with the certification (if any) and other requirements set forth in the Trust Deed and (d) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. See "*Plan of Distribution and Transfer Restrictions*" below.

No Note (or any interest therein) may be transferred, and none of the Issuer, the Registrar, any Transfer Agent and the Trustee will recognise any purported transfer, unless (a) the transfer is made in a manner exempt from registration under the Securities Act, (b) such transfer is made in denominations equal to or greater than the Minimum Denomination therefor, (c) such transfer would not have the effect of requiring the Issuer or the pool of Collateral to register as an investment company under the Investment Company Act and (d) the transferee is able to make all applicable certifications and representations required by the relevant transfer certificate set out in the Trust Deed (if applicable). See "*Plan of Distribution and Transfer Restrictions*" below.

Notwithstanding the foregoing paragraph, (x) an owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification, *provided* that (1) prior to the expiration of the Distribution Compliance Period such transfer is not made to a U.S. Person or U.S. Resident or for the account or benefit of a U.S. Person or U.S. Resident and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and (2) after the expiration of the Distribution Compliance Period, any transfer not effected in an offshore transaction in accordance with Rule 904 of Regulation S may be made only upon provision to the Registrar of written certification from the transferee and transferor in the form provided in the Trust Deed, and (y) an owner of a beneficial interest in a Rule 144A Global Note may transfer such interest in the form of a beneficial interest in such Rule 144A Global Note without the provision of written certification. See "*Plan of Distribution and Transfer Restrictions*" below.

	The Trust Deed provides that the Issuer may require the sale of any Note that has been transferred in breach of certain of such transfer restrictions. See "*Risk Factors—Investment Company Act*" and "*Plan of Distribution and Transfer Restrictions*" below.
Listing and Trading:	Application will be made to the Irish Financial Services Regulatory Authority (the "**IFSRA**") as the competent authority (the "**Competent Authority**") under Directive 2003/71/EC for the Prospectus to be approved. Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. Such approval relates only to Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any member state of the European Economic Area. There can be no assurance that such listing will be granted. There is currently no market for the Notes and no assurance can be given that such a market will develop. See "*Risk Factors—Limited Liquidity of Notes and Restrictions on Transfer*" below.
Governing Law:	The Notes, the Trust Deed, the Class A1A Note Purchase Agreement and all other Transaction Documents, unless otherwise specified, are or will be governed by, and construed in accordance with, English law. The Euroclear Pledge Agreement is governed by, and shall be construed in accordance with, Belgian law. The Management Agreement is governed by, and shall be construed in accordance with, Dutch law.
Withholding Tax:	All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within The Netherlands or any other jurisdiction, or any political sub division or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. For the avoidance of doubt, the Issuer shall not be required to gross up any payments made to the Noteholders and shall withhold or deduct from any such payments any amounts on account of tax where so required by law or any relevant taxing authority. See "*Tax Considerations*" below.
ERISA Considerations:	See "*ERISA Considerations*" below.
Additional Issuances:	Additional Notes (including, but not limited to, the Class A1B Refinancing Notes) may be issued and sold subject to satisfaction of the conditions set out in Condition 17 (*Further Issues*).

RISK FACTORS

An investment in the Notes involves certain risks. Prospective investors should carefully consider the following factors, in addition to the matters set forth elsewhere in this Prospectus, prior to investing in any Class of Notes.

Limited Liquidity of Notes and Restrictions on Transfer

Although there is currently a market for notes representing collateralised debt obligations similar to the Notes (other than the Class N Notes) offered hereby, currently no market exists for such Notes. While the Initial Purchaser may from time to time make a market in each such Class of Notes upon their respective issuance, it is under no obligation to do so. In addition, there can be no assurance that any secondary market will provide the holders of any such Class of Notes with liquidity of investment or will continue for the life of such Notes. Consequently, a purchaser must be prepared to hold such Notes for an indefinite period of time and potentially until their Maturity Date. In addition, such Notes are subject to certain transfer restrictions. Such restrictions on the transfer of such Notes may further limit their liquidity. See "*Plan of Distribution and Transfer Restrictions*".

There is currently no market for the Class N Notes and there can be no assurance that such a market will develop. A form of liquidity for the Class N Notes is the optional redemption provision set out in Condition 7(b)(i)(A) (*Redemption at the Option of the Class N Noteholders*), but optional redemption may not occur prior to the Payment Date immediately following the fifth anniversary of the Issue Date. In addition, there can be no assurance that the optional redemption provision will be capable of exercise in accordance with the conditions set out in Condition 7(b)(ii) (*Conditions to Optional Redemption at the Option of the Class N Noteholders*). Consequently, a purchaser must be prepared to hold the Class N Notes potentially until their Maturity Date. In addition, Class N Notes are subject to certain transfer restrictions. Such restrictions on transfer of the Class N Notes may further limit their liquidity. See "*Plan of Distribution and Transfer Restrictions*".

Suitability

Prospective purchasers of the Notes of any Class should ensure that they understand the nature of such Notes and the extent of their exposure to risk, that they have sufficient knowledge and experience, and access to professional advisers to assist them, to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in such Notes and that they consider the suitability of such Notes as an investment in the light of their own circumstances and financial condition.

Limited Recourse Obligations

The Notes are secured limited recourse obligations of the Issuer and are payable solely from amounts received in respect of the Collateral Debt Securities in the Portfolio, the Hedge Agreements and the other Collateral securing the Notes. None of the officers, directors or incorporators of the Issuer, the Collateral Manager, the Initial Purchaser, the Trustee, the Paying Agents, the Registrar, the Transfer Agents, the Capital Commitment Registrar, any Class A1A Noteholders, the Collateral Administrator, the Liquidity Facility Provider (except to the extent of its obligations pursuant to the Liquidity Facility Agreement), each Hedge Counterparty (except to the extent of its obligations pursuant to the Hedge Agreements), any of their respective Affiliates and any other person or entity (other than the Issuer), will be obliged to make payments on the Notes. Consequently, holders of the Notes must rely solely on distributions on the Collateral Debt Securities and amounts received under the Hedge Agreements and other Collateral securing the Notes for the payment of principal, interest and other amounts on the Notes. There can be no assurance that the distributions on the Collateral Debt Securities and amounts received under the Hedge Agreements and other Collateral securing the Notes will be sufficient to make payments on any Class of Notes after making payments on more senior Classes of Notes and certain other required amounts to other creditors ranking senior to or *pari passu* with such Class. The Issuer's ability to make payments in respect of any Class of Notes will be constrained by the terms of the Notes of Classes more senior to such Class and by the terms of the Trust Deed. If distributions on the Collateral Debt Securities and amounts received under the Hedge Agreements and other Collateral securing the Notes are insufficient to make payments on any Class of Notes in accordance with the Priorities of Payment, no other assets will be available for payment of the deficiency.

In addition, none of the Noteholders or any other Secured Party except the Trustee, may, until the expiry of one year and one day from but excluding the date of redemption of the latest maturing Note:

(a) take any corporate action or other steps or legal proceedings for the winding up, dissolution, moratorium, controlled management, similar insolvency proceedings or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of the Issuer or of any or all of the revenues and assets of the Issuer; or

(b) have any right to take any steps for the purpose of obtaining payment of any amounts payable to it under any of the Transaction Documents by the Issuer and shall not until such time take any steps to recover any debts whatsoever owing to it by the Issuer.

For the avoidance of doubt, the above provision does not prevent the Controlling Class directing the Trustee to take steps to obtain payment of amounts payable under the Transaction Documents upon the security over the Collateral becoming enforceable, in accordance with the Trust Deed.

Counterparty Credit Risk

Investment in the Notes of any Class involves a degree of risk arising from fluctuations in the amount and timing of receipt of the principal and interest on the Collateral Debt Securities by, or on behalf of, the Issuer and the amounts of the claims of creditors of the Issuer ranking in priority to the holders of each Class of the Notes. In particular, Participations, Synthetic Securities, the Liquidity Facility Agreement, Securities Lending Agreements and Hedge Agreements generally involve the Issuer entering into contracts with counterparties. Pursuant to such contracts, the counterparties agree to make payments to the Issuer under certain circumstances as described therein. The Issuer will generally be exposed to the credit risk of the counterparty in respect of such payments.

Credit Risk and Credit Ratings of Collateral Debt Securities

Prospective purchasers of the Notes should be aware that the amount and timing of payment of the principal and interest on the Collateral Debt Securities will depend upon the detailed terms of the documentation relating to each of the Collateral Debt Securities and on whether or not any obligor thereunder defaults in its obligations.

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

Subordination

Prior to enforcement of the security over the Collateral, interest in respect of (i) the Senior Notes (other than any payment of interest representing the Class A1A Increased Margin) and payments in respect of the Commitment Fee and Break Costs are senior to interest on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class N Notes; and (ii) the Class B Notes is senior to interest on Class C Notes, Class D Notes, Class E Notes and Class N Notes and to interest representing the Class A1A Increased Margin; and (iii) the Class C Notes is senior to interest on the Class D Notes, Class E Notes, and Class N Notes and to interest representing the Class A1A Increased Margin; and (iv) the Class D Notes is senior to interest on the Class E Notes and the Class N Notes and to interest representing the Class A1A Increased Margin; and (v) the Class E Notes is senior to interest on the Class N Notes and to interest representing the Class A1A Increased Margin (except in each case, to the extent interest is paid on the Class N Notes from amounts standing to the credit of the Collateral Enhancement Account which have been (1) transferred to the Collateral Enhancement Account in accordance with Condition 3(c)(i)(HH) or (2) credited to the Collateral Enhancement Account as amounts representing Sale Proceeds of Collateral Enhancement Securities).

Prior to the enforcement of the security over the Collateral (except as specified below), interest in respect of (i) the Class A1A Notes and Class A1B Notes (other than any payment of interest representing the Class A1A Increased Margin) and payments in respect of the Commitment Fee and Break Costs are senior to principal payable in respect of the other Rated Notes and the Class N Notes, (ii) the Class A2 Notes is senior to principal payable in respect of the other Rated Notes and the Class N Notes, (iii) the Class B Notes is senior to principal payable in respect of the Senior Notes and the other Classes of the Rated Notes and the Class N Notes if the Senior Coverage Tests are satisfied; (iv) the Class C Notes is senior to principal payable in respect of the Senior Notes and the other Classes of the Rated Notes and the Class N Notes if the Senior Coverage Tests and the Class

B Overcollateralisation Ratio Test are satisfied; (v) the Class D Notes is senior to the principal payable in respect of the Senior Notes and the other Classes of the Rated Notes and the Class N Notes if the Senior Coverage Tests, the Class B Overcollateralisation Ratio Test and the Class C Overcollateralisation Ratio Test are satisfied; and (vi) the Class E Notes is senior to the principal payable in respect of the Senior Notes and the other Classes of the Rated Notes and the Class N Notes if the Senior Coverage Tests, the Class B Overcollateralisation Ratio Test, the Class C Overcollateralisation Ratio Test and the Class D Overcollateralisation Ratio Test are satisfied. If the (i) Senior Coverage Tests are not met, interest in respect of the Class B Notes is subordinated to principal payable on the Senior Notes; and (ii) if Senior Coverage Tests or the Class B Overcollateralisation Ratio Test are not met, interest in respect of the Class C Notes is subordinated to principal payable on the Senior Notes and the Class B Notes; and (iii) if Senior Coverage Tests, the Class B Overcollateralisation Ratio Test or the Class C Overcollateralisation Ratio Test are not met, interest in respect of the Class D Notes is subordinated to principal payable on the Senior Notes, the Class B Notes and the Class C Notes; and (iv) if Senior Coverage Tests, the Class B Overcollateralisation Ratio Test, the Class C Overcollateralisation Ratio Test or the Class D Overcollateralisation Ratio Test are not met, interest in respect of the Class E Notes is subordinated to principal payable on the Senior Notes, the Class B Notes, the Class C Notes and the Class D Notes in each case to the extent required and as described in the Conditions of the Notes.

Prior to enforcement of the security over the Collateral, interest in respect of the Class N Notes is subordinated to interest on the Senior Notes and to each other Class of Rated Notes, and, *provided* the Coverage Tests are satisfied in respect of each Class of Notes, and if, following the Target Date, no Target Date Downgrade Rating is continuing, senior to principal in respect of the Senior Notes and to principal on each other Class of Rated Notes. If any of the Coverage Tests are not met or, if following the Target Date, a Target Date Downgrade Rating is continuing, interest in respect of the Class N Notes is subordinated to principal payable on the Senior Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

Interest on each of the Class B Notes, Class C Notes, Class D Notes and Class E Notes will be paid semi-annually and will be deferred in the event that insufficient Interest Proceeds are available to make payment of interest on such Class of Notes on any Payment Date pursuant to Condition 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) or insufficient Principal Proceeds are available pursuant to Condition 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*) for so long as, in the case of (i) the Class B Notes or any Senior Notes remain outstanding; or (ii) the Class C Notes, any Senior Notes or Class B Notes remain outstanding; or (iii) the Class D Notes, any Senior Notes, Class B Notes or Class C Notes remain outstanding; or (iv) the Class E Notes, any Senior Notes, Class B Notes, Class C Notes or Class D Notes remain outstanding. Such a deferral will not constitute an Issuer Event of Default.

Interest on the Class N Notes will be paid semi-annually on each Payment Date only to the extent that there are Interest Proceeds available following payment of interest in respect of the Senior Notes, the other Rated Notes and the fees, expenses and other amounts set out in Condition 3(c)(i) (*Application of Interest Proceeds on Payment Dates*), and to, the extent amounts are determined by the Collateral Manager to be released from the Collateral Enhancement Account.

With certain limited exceptions described herein, (a) payments of principal of and interest on the Class A1A Notes and the Class A1B Notes will be senior to the payment of principal of the Class A2 Notes (b) payments of principal and interest on the Class A2 Notes will be senior to the payment of principal of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and Class N Notes, (c) payments of principal of and interest on the Class B Notes will be senior to the payment of principal of the Class C Notes, the Class D Notes, the Class E Notes and Class N Notes, (d) payments of principal of and interest on the Class C Notes will be senior to the payment of principal on the Class D Notes, the Class E Notes and the Class N Notes, (e) payments of principal of and interest on the Class D Notes will be senior to the payment of principal on the Class E Notes and the Class N Notes and (f) payments of principal of and interest on the Class E Notes will be senior to the payment of principal on the Class N Notes.

Payments of principal and interest on each Class of Notes are also subordinated to the payment of certain other amounts payable by the Issuer, as set out in the Priorities of Payment.

Except in connection with an optional redemption in accordance with Condition 7(b) (*Optional Redemption*) (in which case each Class of Notes will be redeemed in full): (a) no payments of principal of the Class B Notes will be made until principal on the Senior Notes have been paid in full, (b) no payments of principal of the Class C Notes will be made until principal on the Senior Notes and the Class B Notes have been paid in full, (c) no payments of principal of the Class D Notes will be made until principal on the Senior Notes, the Class B Notes and the Class C Notes have been paid in full, (d) no payments of principal of the Class E

Notes will be made until principal on the Senior Notes, the Class B Notes, the Class C Notes and the Class D Notes have been paid in full, and (e) no payments of principal of the Class N Notes will be made until the Senior Notes and each other Class of the Rated Notes has been paid in full. Failure to make any payment of principal on the Class B Notes, Class C Notes, Class D Notes, Class E Notes or the Class N Notes on any Payment Date (unless such Class of Notes are the most senior Class of Notes then Outstanding), in accordance with the Priorities of Payment, will not constitute an Issuer Event of Default until the Payment Date on which such principal may be paid in accordance with the Priorities of Payment.

In the event of any redemption or repayment, as applicable, in whole or acceleration of the Senior Notes following the occurrence of an Issuer Event of Default, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class N Notes will also be subject to automatic redemption/acceleration and the Portfolio will be liquidated. Liquidation of the Portfolio at such time or remedies pursued by the Trustee upon enforcement of the security over the Collateral could be adverse to the interests of the holders of the each other Class of Notes. Once such an Issuer Event of Default has occurred, the holders of each Class of Notes are not entitled to be paid until the holders of the more senior Classes of Notes then Outstanding have been paid in full, (in each case, together with certain other fees and expenses) in accordance with Condition 11(b) (*Enforcement*).

In the event of any redemption or repayment in whole of the Senior Notes and the other Classes of Rated Notes pursuant to Condition 7(b) (*Optional Redemption*), the Class N Notes will also be redeemed and the Portfolio will be liquidated. Liquidation of the Portfolio at such time and/or the remedies pursued by the Trustee upon enforcement of the security over the Collateral could be adverse to the interests of the holders of the Class N Notes.

The Trust Deed provides that in the event of any conflict of interest between the holders of any two or more Classes of Notes, the interests of the Controlling Class will prevail. The Trust Deed provides further that the Trustee will act upon the directions of the relevant Controlling Class in such circumstances.

Noteholders' Resolutions

The Trust Deed includes provisions for the passing of resolutions of the Noteholders (whether at a Noteholders' meeting by way of vote ("**Resolutions**") or by written resolution) in respect of (among other matters) amendments to the Conditions of the Notes and/or the Transaction Documents. Such provisions include, among other things, (i) quorum requirements for the holding of Noteholders' meetings and (ii) voting thresholds required to pass Resolutions at such meetings (or through written resolutions). The quorum required for a meeting of Noteholders (other than an adjourned meeting or a meeting of a particular Class) to pass an Extraordinary Resolution of all Noteholders is two or more persons holding or representing 66⅔ per cent. of the aggregate principal amount Outstanding of the Notes of each Class of those Notes represented at the meeting or at any adjourned meeting, two or more persons being or representing the holders of the Notes of each Class holding or representing 25 per cent. the principal amount of such Class of Notes Outstanding. Accordingly, it is likely that, at any meeting of the Noteholders, an Extraordinary Resolution may be passed with less than a majority of all the Noteholders of each Class. See Condition 14(a) (*Meetings of Noteholders*).

In addition, resolutions of the Noteholders may be passed by writing if a resolution in writing is signed by or on behalf of the holders of not less than 66⅔ per cent. in principal amount of Notes Outstanding of a Class who for the time being are entitled to receive notice of a meeting for the passing of any Extraordinary Resolution.

Mandatory Redemption

In certain circumstances, including the breach of any of the Coverage Tests, Interest Proceeds that would otherwise have been used to pay interest on the Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class N Notes (in the case of a breach of a Senior Coverage Test) or on the Class C Notes, Class D Notes, Class E Notes or Class N Notes (in the case of a breach of the Class B Overcollateralisation Ratio Test) or on the Class D Notes, Class E Notes or Class N Notes (in the case of a breach of the Class C Overcollateralisation Ratio Test) or on the Class E Notes or Class N Notes (in the case of a breach of the Class D Overcollateralisation Ratio Test) or the Class N Notes (in the case of a breach of the Class E Overcollateralisation Ratio Test) will instead be used to redeem or repay the Senior Notes and to redeem the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, in order of seniority to the extent necessary to restore the applicable Coverage Test to the minimum required level, as the case may be.

The Collateral Manager will request each of Fitch and S&P to confirm, within 30 days after the Target Date, that it has not reduced or withdrawn the ratings respectively assigned by them on the Issue Date to any of the Senior Notes and the other Rated Notes. In the event of a Target Date Rating Downgrade at any time up to the Determination Date prior to the Payment Date next following the Target Date, Interest Proceeds (after payment of certain senior expenses pursuant to Condition 3(c) (*Priorities of Payment*)) and thereafter Principal Proceeds will be applied in accordance with the Priorities of Payment on such Payment Date and on each following Payment Date first in redemption and repayment, as applicable, of the Senior Notes and then in redemption of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, until each such Class of Notes has been redeemed and repaid, as applicable, in full or, in each case if earlier, until each of Fitch and S&P confirms that each such rating is reinstated. See Condition 7(c)(ii) (*Redemption Following Target Date Rating Downgrade*).

Any of these events could result in an elimination, deferral or reduction in the interest payments or principal repayments made to the holders of the Class B Notes, Class C Notes, the Class D Notes, the Class E Notes and/or the Class N Notes, as the case may be, and also reduce the leverage ratio of the Class N Notes to each Class of Rated Notes, each of which could adversely impact the level of the returns to the holders of the Class N Notes.

Optional Redemption

Subject to the satisfaction of certain conditions described herein, the holders of 66⅔ per cent. of the principal amount Outstanding of the Class N Notes may require the redemption of the Notes on any Payment Date following the fifth anniversary of the Issue Date or on any Payment Date following the occurrence of a Collateral Tax Event. In addition, the Notes may be subject to optional redemption in certain other circumstances (see Condition 7(b) (*Optional Redemption*)). An optional redemption of the Notes could require the Collateral Manager to liquidate positions (including terminating the Hedge Agreements) more rapidly than would otherwise be desirable, which could adversely affect the value at which such securities can be realised or which may result in payments being required to be made by the Issuer pursuant to the Hedge Agreements to the extent they are out of the money to the Issuer, which may reduce the amount available to be paid to Noteholders.

Volatility of the Class N Notes

The Class N Notes represent a leveraged investment in the underlying Collateral Debt Securities. Accordingly, it is expected that changes in the market value of the Class N Notes will be greater than changes in the market value of the underlying Collateral Debt Securities, which themselves are subject to credit, liquidity, interest rate and other risks. Utilisation of leverage is a speculative investment technique and involves certain risks to investors. The indebtedness of the Issuer under the Notes will result in interest expense and other costs incurred in connection with such indebtedness that may not be covered by proceeds received from the Collateral. The use of leverage generally magnifies the Issuer's opportunities for gain and risk of loss.

The Portfolio

None of the Issuer, the Arranger, the Initial Purchaser, the Custodian, the Collateral Manager, the Collateral Administrator, the Trustee, the Paying Agents, the Registrar, the Transfer Agents, the Capital Commitment Registrar, any Class A1A Noteholder, the Liquidity Facility Provider or any Hedge Counterparty has made any investigation into the obligors of the Collateral Debt Securities purchased on behalf of the Issuer. The value of the Collateral Debt Securities in the Portfolio may fluctuate from time to time (as a result of substitution or otherwise) and none of the Issuer, the Trustee, the Arranger, the Initial Purchaser, the Custodian, the Collateral Manager, the Paying Agents, the Registrar, the Transfer Agents, the Capital Commitment Registrar, any Class A1A Noteholder, the Liquidity Facility Provider, any Hedge Counterparty or the Collateral Administrator or any of their Affiliates is under any obligation to maintain the value of the Collateral Debt Securities purchased on behalf of the Issuer at any particular level, and none of them has any liability to the Noteholders as to the amount or value of, or any decrease in the value of, the Collateral Debt Securities purchased by the Issuer from time to time.

Purchase of Collateral Debt Securities on or about the Issue Date

The Issuer intends to purchase or enter into binding commitments to purchase a substantial portion of the Portfolio on or about the Issue Date from the Initial Purchaser and the Collateral Manager and to use the proceeds of the issuance of the Notes or drawings under the Class A1A Notes to settle such trades on or about the Issue Date. The prices paid for such Collateral Debt Securities at settlement on or about the Issue Date will

be in the currency the Issuer entered into the commitment to purchase such obligations and will reflect the par value of such Collateral Debt Securities if acquired by the Initial Purchaser or the Collateral Manager in the primary market and will reflect the market value of such Collateral Debt Securities on the date of acquisition by the Initial Purchaser or the Collateral Manager if acquired in the secondary market and in each case, may be greater or less than their market value on or about the Issue Date.

Unspecified Use of Proceeds

After the Issue Date, proceeds from the issue and sale of the Notes, as well as proceeds received from time to time in respect of Collateral Debt Securities previously purchased by the Collateral Manager on behalf of the Issuer and drawings under the Class A1A Notes will be invested in Collateral Debt Securities that may not have been identified by the Collateral Manager on the Issue Date.

Purchasers of any of the Notes will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Collateral Manager (on behalf of the Issuer) and, accordingly, will be dependent upon the judgment and ability of the Collateral Manager in investing and managing the proceeds of the Notes and in identifying investments over time. No assurance can be given that the Collateral Manager (on behalf of the Issuer) will be successful in obtaining suitable investments (or in obtaining investments originated on terms and conditions similar to the origination terms applicable to investments acquired on the Issue Date) or that, if such investments are made, the objectives of the Issuer will be achieved.

During the Reinvestment Period, the Collateral Manager, acting on behalf of the Issuer, may in certain circumstances acquire Additional Collateral Debt Securities satisfying the Eligibility Criteria and the Reinvestment Criteria. See "*Description of the Portfolio*" below. The Collateral Manager's ability to meet such targets will depend on a number of factors beyond the Collateral Manager's control including the condition of certain financial markets, general economic conditions and international political events and, thus, there can be no assurance that such targets will be met. In addition, to the extent Hedge Transactions are to be entered into, the Collateral Manager's ability to enter into such additional Hedge Transactions upon the acquisition of certain Additional Collateral Debt Securities will also depend upon a number of factors outside the Collateral Manager's control including its ability to identify a suitable Hedge Counterparty with whom to enter into additional Hedge Transactions. In the event that the Collateral Manager (acting on behalf of the Issuer) by notice certifies to the Issuer and the Trustee that it has been unable to identify Additional Collateral Debt Securities that are deemed appropriate by the Collateral Manager (in its discretion and acting on behalf of the Issuer) and which meet the Eligibility Criteria or, to the extent applicable, the Reinvestment Criteria, in sufficient amounts to permit the investment or reinvestment of all or a portion of the funds then in the Principal Collection Account that are to be invested in Additional Collateral Debt Securities, a Special Redemption of the Notes may occur pursuant to Condition 7(d) (*Redemption at the Option of the Collateral Manager*) or the Issuer, with the requisite consent of the Class N Noteholders may terminate the Reinvestment Period before the Payment Date falling in July 2013. Any failure by the Collateral Manager, acting on behalf of the Issuer, to enter into required additional Hedge Transactions or to meet the targets referred to above could result in interest rate or currency mismatches or a Special Redemption of a portion of the Notes or, if the Reinvestment Period is terminated earlier at the option of the Issuer, an earlier than anticipated redemption of the Notes, which could adversely affect the Issuer's ability to fund its expenditure and reduce the leverage ratio of the Class N Notes to each Class of Rated Notes, each of which could adversely affect the level of returns to the holders of the Class N Notes.

Nature of Collateral

The Collateral is subject to credit, liquidity, interest rate, equity and, in some cases, non-credit related risks. It is expected that substantially all of the Collateral Debt Securities which secure the Notes will be Bank Loans, Mezzanine Loans, Second Lien Loans, CLO Securities, Special Debt Securities and Synthetic Securities (or participations or sub-participations thereof) borrowed or issued by various obligors denominated in Euro (or in one of the predecessor currencies of a European Union member state which has since adopted the Euro as its currency) or in Sterling and that such Bank Loans, Mezzanine Loans, Second Lien Loans, CLO Securities, Special Debt Securities and Synthetic Securities will be rated below investment grade, all of which have greater credit and liquidity risk than investment grade debt obligations.

In addition, a portion of the Collateral will be acquired by the Collateral Manager, on behalf of the Issuer, after the Issue Date, and, accordingly, the financial performance of the Issuer may be affected by the price and availability of Collateral to be purchased that will satisfy the constraints set out below under "*Description of the*

Portfolio—Eligibility Criteria" and "*Description of the Portfolio—Reinvestment Criteria*". The amount and nature of Collateral securing the Notes have been established to withstand certain assumed deficiencies in payment resulting from defaults in respect of the Collateral Debt Securities. See "*Rating of the Notes*". If any deficiencies exceed such assumed levels, however, payment of the Notes could be adversely affected. If a default occurs with respect to any Collateral Debt Security securing the Notes and the Collateral Manager, on behalf of the Issuer (acting on the advice of the Collateral Manager) sells or otherwise disposes of such Collateral Debt Security, it is not likely that the proceeds of such sale or disposition will be equal to the amount of principal and interest owing to the Issuer in respect of such Collateral Debt Security. If the Collateral Manager, on behalf of the Issuer is unable to acquire Collateral after the Issue Date that satisfies the constraints set out below under "*Description of the Portfolio—Eligibility Criteria*" and "*Description of the Portfolio—Reinvestment Criteria*", the Issuer may not be able to satisfy one or more of the Coverage Tests, which could result in prepayment of the Notes.

The market value of the Collateral Debt Securities in the Portfolio will generally fluctuate with, among other things, the financial condition of the obligors on or issuers of the Collateral Debt Securities or, with respect to Synthetic Securities, of the obligors on or issuers of the Reference Obligations, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The public markets for non-investment grade corporate debt securities have in the past experienced periods of volatility and periods of reduced liquidity. Changes in the market value of the Collateral Debt Securities in the Portfolio generally do not affect the Issuer's interest or principal collections. However, a decrease in the market value of the Collateral Debt Securities in the Portfolio would adversely affect the sale proceeds that could be obtained upon the sale of the Collateral Debt Securities in the Portfolio and could ultimately affect the ability of the Issuer to pay in full or redeem the Notes.

The ability of the Collateral Manager, on behalf of the Issuer to sell Collateral Debt Securities in the Portfolio prior to maturity is subject to certain restrictions in the Collateral Management Agreement as described below under "*Description of the Portfolio—Sale of Collateral Debt Securities and Reinvestment Criteria*". If a Collateral Debt Security is sold or principal payments are received in respect of a Collateral Debt Security, the Collateral Manager may at times be unable to identify a suitable substitute investment or the Collateral Manager, on behalf of the Issuer may be unable to purchase a suitable substitute investment in periods of market volatility or disruption or for any number of other reasons, including the constraints set out below under "*Description of the Portfolio—Eligibility Criteria*" and "*Description of the Portfolio—Reinvestment Criteria*".

Bank Loans; Mezzanine Loans; Second Lien Loans. The Collateral Debt Securities in the Portfolio may include Bank Loans lent predominantly to a variety of European borrowers which are rated below investment grade. Such loans are of a type generally incurred by the borrowers thereunder in connection with highly leveraged transactions, often (although not exclusively) to finance internal growth, acquisitions, mergers, or recapitalisations. As a result of the additional debt incurred by the borrower in the course of such a transaction, the borrower's creditworthiness is often judged by the rating agencies to be below investment grade.

The Collateral Debt Securities in the Portfolio may include Mezzanine Loans and Second Lien Loans lent predominantly to a variety of European borrowers which are rated below investment grade. Mezzanine finance generally comprises a secured loan which is subordinated in terms of priority of repayment and security behind the senior debt and therefore has a higher risk profile than senior debt. Because of the greater risk, mezzanine lenders may be granted share options or warrants in the borrower which can be exercised in certain circumstances, principally being immediately prior to the borrower's shares being sold or floated in an initial public offering.

Many of the Bank Loans, Mezzanine Loans and Second Lien Loans purchased by the Collateral Manager, on behalf of the Issuer will have no, or only a limited, trading market. The Collateral Manager, on behalf of the Issuer may purchase Bank Loans, Mezzanine Loans and Second Lien Loans that are significantly less liquid than bank loans typically made to investment grade borrowers. Although the Collateral Manager, on behalf of the Issuer does not generally intend to dispose of Bank Loans, Mezzanine Loans and Second Lien Loans prior to their maturity, the Issuer's investment in illiquid Bank Loans, Mezzanine Loans and Second Lien Loans may restrict its ability to dispose of investments in a timely fashion and for a fair price. Illiquid Bank Loans, Mezzanine Loans and Second Lien Loans may trade at a discount to comparable, more liquid investments. In addition, because of the provision of confidential information, the unique and customised nature of a loan agreement and the private syndication of a loan, certain Bank Loans, Mezzanine Loans and Second Lien Loans may not be purchased or sold as easily as publicly traded securities, particularly as a result of the increased degree of complexity in negotiating a secondary market purchase or sale which complexity does not exist, for example, in the high yield bond market. Historically, the trading volume in the bank loan market has been small

relative to the high yield bond market. Bank Loans, Mezzanine Loans and Second Lien Loans may encounter trading delays due to their unique and customised nature and transfers may be prohibited without the consent of an agent bank or borrower.

Bank Loans, Mezzanine Loans and Second Lien Loans may become non-performing for a variety of reasons. Such non-performing Bank Loans, Mezzanine Loans and Second Lien Loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write down of the principal of the loan and/or the deferral of payments. In addition, the Issuer may incur additional expenses to the extent it is required to seek recovery upon a default on a Bank Loan or Mezzanine Loan or Second Lien Loans or participate in the restructuring of such obligation. Although the Collateral Manager may exercise voting rights with respect to an individual Bank Loan or Mezzanine Loan or Second Lien Loan on behalf of the Issuer, there can be no certainty that the Collateral Manager will be able to exercise votes in respect of a sufficient percentage of voting rights with respect to such Bank Loan or Mezzanine Loan or Second Lien Loan to determine the outcome of such vote.

Should increases in default rates occur with respect to this type of collateral, the actual default rates of the Collateral Debt Securities in the Portfolio may exceed the hypothetical default rates assumed by investors in determining whether to purchase any of the Notes. In addition, recoveries of Defaulted Collateral Debt Securities may be lower than the hypothetical default rates assumed by investors in determining whether to purchase any of the Notes.

Special Debt Securities. The Collateral Debt Securities in the Portfolio will include Special Debt Securities (including Synthetic Securities, the Reference Obligations of which are Special Debt Securities), which will be issued by a variety of predominantly European issuers. The Special Debt Securities will consist of loans which are senior or subordinated unsecured loan obligations, including a Synthetic Security whose Reference Obligation is a senior or subordinated unsecured loan obligation other than (a) a Bank Loan; (b) a Mezzanine Loan; (c) a Second Lien Loan and (d) a CLO Security.

Special Debt Securities rated below investment grade will have greater credit and liquidity risk than investment grade obligations. Special Debt Securities may be unsecured and may be subordinated to other obligations of the issuer thereof. The lower ratings of obligations in the non-investment grade market reflect a greater possibility that adverse changes in the financial condition of an issuer of such obligations or in general economic conditions or both may impair the ability of such issuer to make payments of principal and interest.

Special Debt Securities are likely to experience greater default rates than investment grade assets. Although studies have been made of historical default rates in the non-investment grade market, such studies do not necessarily provide a basis for drawing definitive conclusions with respect to default rates and, in any event, do not necessarily provide a basis for predicting future default rates. Should increases in default rates occur with respect to this type of collateral, the actual default rates of the Collateral Debt Securities in the Portfolio may exceed the hypothetical default rates assumed by investors in determining whether to purchase any of the Notes.

Risks of Special Debt Securities may include (among others): (a) limited liquidity and secondary market support, (b) substantial market price volatility resulting from changes in prevailing interest rates, (c) subordination to the prior claims of banks and other senior lenders, (d) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause the Issuer to reinvest premature redemption proceeds in lower yielding Collateral Debt Securities, (e) the possibility that earnings of the Special Debt Security issuer may be insufficient to meet its debt service and (f) the declining creditworthiness and potential for insolvency of the issuer of such Special Debt Security during periods of rising interest rates and economic downturn. An economic downturn or an increase in interest rates could severely disrupt the market for Special Debt Securities and adversely affect the value of outstanding Special Debt Securities and the ability of the issuers thereof to repay principal and interest.

Issuers of Special Debt Securities may be highly leveraged and may not have available to them more traditional methods of financing. The risk associated with acquiring the securities of such issuers generally is greater than is the case with highly rated assets. The prices of Special Debt Securities are likely to be more sensitive to adverse economic changes or individual corporate developments than higher rated assets. For example, during an economic downturn or a sustained period of rising interest rates, issuers of Special Debt Securities may be more likely to experience financial stress, especially if such issuers are highly leveraged. During such periods, timely service of debt obligations may also be adversely affected by specific issuer developments, the issuer's inability to meet specific projected business forecasts or the unavailability of additional financing. The risk of loss due to default by the issuer is significantly greater for the holders of

Special Debt Securities because such assets may be unsecured and may be subordinated to other creditors of the issuer of such assets. In addition, the Issuer may incur additional expenses to the extent it is required to seek recovery upon a default on a Special Debt Security or participate in the restructuring of such obligation.

As a result of the limited liquidity of Special Debt Securities, their prices have at times experienced significant and rapid decline. In addition, the Issuer may have difficulty disposing of certain Special Debt Securities because there may be a thin trading market for such assets. To the extent that a secondary trading market for below investment grade Special Debt Securities does exist, it is generally not as liquid as the secondary market for highly rated assets. Under adverse market or economic conditions, the secondary market for Special Debt Securities could contract further, independent of any specific adverse changes in the condition of a particular issuer. Reduced secondary market liquidity may have an adverse impact on market price and the Issuer's ability to dispose of particular assets when necessary to meet the Issuer's liquidity needs or in response to a specific economic event such as deterioration in the creditworthiness of the issuer of such securities. Reduced secondary market liquidity for certain Special Debt Securities may also make it more difficult for the Issuer to obtain accurate market quotations for the purposes of valuing the Issuer's portfolio. Market quotations are generally available on many Special Debt Securities only from a limited number of dealers and may not necessarily represent firm bids of such dealers of prices for actual sales.

Adverse publicity and investor perceptions, which may not be based on fundamental analysis, may also decrease the market value and liquidity of Special Debt Securities, particularly in a thinly traded market.

CLO Securities. The Collateral Manager on behalf of the Issuer may from to time acquire CLO Securities which may be backed by a combination of Bank Loans, Mezzanine Loans, Second Lien Loans and other securities already acquired by the Collateral Manager on behalf of the Issuer. In the event of a poor performance of such Bank Loans, Mezzanine Loans, Second Lien Loans and other securities backing such CLO Securities, collections on the Portfolio would be doubly affected as not only will the collections on the relevant Bank Loans, Mezzanine Loans, Second Lien Loans and other securities be reduced, it is also likely that the poor performance of such Bank Loans, Mezzanine Loans, Second Lien Loans and other securities will have an adverse impact on the related CLO Security thereby leading to reduced collection by the Issuer from each such related CLO Security.

Synthetic Securities. The Collateral Debt Securities in the Portfolio may include Synthetic Securities. Synthetic Securities generally involve the Issuer entering into contracts with counterparties. Pursuant to such contracts, the counterparties agree to make payments to the Issuer under certain circumstances as described therein, which payments are linked to the performance of obligations which are themselves Special Debt Securities, CLO Securities, Bank Loans or Mezzanine Loans or Second Lien Loans ("**Reference Obligations**"). Investments in such types of assets through the purchase of Synthetic Securities present risks in addition to those resulting from direct purchases of such Collateral Debt Securities. With respect to each Synthetic Security, the Issuer will usually have a contractual relationship only with the counterparty of such Synthetic Security and not the underlying debtor (the "**Reference Obligor**") in respect of the Reference Obligation. The Issuer generally will have no right directly to enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of set off against the Reference Obligor (and may be subject to set off rights exercised by the Reference Obligor against the counterparty or another person or entity), nor have any voting or other consensual rights of ownership with respect to the Reference Obligation (except where such Reference Obligation has been transferred to the Issuer as collateral). The Issuer will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of the insolvency of the counterparty, the Issuer may be treated as a general creditor of such counterparty, and may not have any claim with respect to the Reference Obligation. Consequently, the Issuer will be subject to the credit risk of the counterparty as well as that of the Reference Obligor. As a result, concentrations of Synthetic Securities entered into with any one counterparty will subject the Notes to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. The Initial Purchaser and/or one or more Affiliates of the Initial Purchaser may act as counterparty with respect to some or all of the Synthetic Securities, which relationship may create certain conflicts of interest. See "*Certain Conflicts of Interest*" below. Fitch or S&P may downgrade any Class of Notes rated by it at such time if a counterparty to a material portion of the Synthetic Securities held by the Issuer has been downgraded by Fitch or S&P, respectively, below the then current rating of such Notes. Before any Synthetic Security may be included as a Collateral Debt Security, each Rating Agency must confirm in writing prior to the date of such purchase that such Synthetic Security may be included as a Collateral Debt Security without adversely affecting its then current rating, if any, of any Class of Notes.

While the Issuer expects that the returns on a Synthetic Security will generally reflect those of the related Reference Obligation, as a result of the terms of the Synthetic Security and the assumption of the credit risk of the applicable Synthetic Security Obligor, a Synthetic Security may have a different expected return, a different (and potentially greater) probability of default, a different (and potentially greater) expected loss characteristic following a default, and a different (and potentially lower) expected recovery following default.

Additionally, when compared to the Reference Obligation, the terms of a Synthetic Security may provide for different maturities, currency, payment dates, interest rates, interest rate references, credit exposures, or other credit or non-credit related characteristics. Subject to Rating Agency Confirmation, a Synthetic Security may also involve leveraged exposure to the related Reference Obligation. Upon default on a Reference Obligation, or in certain circumstances, default or other actions by an obligor of a Reference Obligation, the terms of the relevant Synthetic Security may permit or require the Synthetic Security Obligor to satisfy its obligations under the Synthetic Security by delivering to the Issuer the Reference Obligation or an amount equal to the then current market value of the Reference Obligation.

Furthermore, prospective investors in the Notes should note that although a Synthetic Security must meet the Eligibility Criteria, its Reference Obligation does not need to satisfy all of the requirements of the Eligibility Criteria and, in particular, that the Reference Obligation does not need to be a Euro denominated instrument and does not need to satisfy the maturity limitations set out in the Eligibility Criteria. Since Reference Obligations are not required to be denominated in Euro, the Issuer may be required to take delivery of a non-Euro denominated security or of a currency other than Euro, exposing the Issuer to exchange rate fluctuations. Moreover, if the Reference Obligation is delivered to the Issuer and such Reference Obligation does not satisfy the Eligibility Criteria when delivered, the Issuer will not be permitted to include such Reference Obligation as a Collateral Debt Security for the purposes of the Collateral Quality Tests, the Coverage Tests or the Reinvestment Criteria.

The Issuer may acquire Synthetic Securities which are linked to the performance of other Synthetic Securities.

It should also be noted that Synthetic Securities have a limited liquidity and the Issuer may have difficulty disposing of Synthetic Securities because there may not be a trading market for such assets and this could indirectly affect the ability of the Issuer to make payments on the Notes.

Participations and Transfers. The Issuer may acquire interests in Collateral Debt Securities which are loans either directly (by way of novation, sale or assignment) or indirectly (by way of participation or sub-participation or through the acquisition of Synthetic Securities). Each institution from which such an interest is acquired is referred to in this section titled "*Risk Factors*" only as a Selling Institution. Interests in loans acquired directly by way of novation, sale or assignment are referred to herein as "**Transfers**". Interests in loans acquired indirectly by way of participation or sub-participation are referred to herein as "**Participations**".

The purchaser of a Transfer typically succeeds to all the rights of the assigning Selling Institution and becomes entitled to the benefit of the loans and the other rights of the lender under the loan agreement. The Issuer as an assignee will generally have the right to receive directly from the borrower all payments of principal and interest to which it is entitled, *provided* notice of such Transfer has been given to the borrower. As a purchaser of a Transfer, the Issuer typically will have the same voting rights as other lenders under the applicable loan agreement and will have the right to vote to waive enforcement of breaches of covenants. The Issuer will also have the same rights as other lenders to enforce compliance by the borrower with the terms of the loan agreement, to set off claims against the borrower and to have recourse to collateral supporting the loan. As a result, the Issuer will generally not bear the credit risk of the Selling Institution and the insolvency of the Selling Institution should have little effect on the ability of the Issuer to continue to receive payment of principal or interest from the borrower. The Issuer will, however, assume the credit risk of the borrower.

Participations by the Issuer in a Selling Institution's portion of the loan typically results in a contractual relationship only with such Selling Institution and not with the borrower under such loan. The Issuer would, in such case, have the right to receive payments of principal and interest to which it is entitled only upon receipt by the Selling Institution of such payments from the borrower. In purchasing Participations, the Issuer generally will have no right to enforce compliance by the borrower with the terms of the applicable loan agreement, nor any rights of set off against the borrower and the Issuer may not directly benefit from the collateral supporting the loan in respect of which it has purchased a Participation. As a result, the Issuer will assume the credit risk of both the borrower and the Selling Institution selling the Participation. In the event of the insolvency of the Selling Institution selling a Participation, the Issuer may be treated as a general creditor of the Selling Institution

and may not benefit from any set off between the Selling Institution and the borrower and the Issuer may suffer a loss to the extent that the borrower may set off claims against the Selling Institution. The Collateral Manager, on behalf of the Issuer may purchase a Participation from a Selling Institution that does not itself retain any economic exposure in respect of the loan and, therefore, may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower. When the Issuer holds a Participation in a loan it generally will not have the right to vote to waive enforcement of any covenants breached by a borrower. However, most participation agreements provide that the Selling Institution may not vote in favour of any amendment, modification or waiver that forgives principal or interest, reduces principal or interest that is payable, postpones any payment of principal (other than a mandatory prepayment) or interest or releases substantially all of the collateral without the consent of the participant at least to the extent the participant would be affected by any such amendment, modification or waiver. A Selling Institution voting in connection with a potential waiver of a restrictive covenant may have interests which are different to those of the Issuer and such Selling Institutions are not required to consider the interest of the Issuer in connection with the exercise of its votes. An investment by the Issuer in a Synthetic Security related to a Collateral Debt Security involves many of the same considerations relevant to Participations. See "*Synthetic Securities*" below.

Securities Lending. The Collateral Manager may from time to time and on an ancillary basis, lend Collateral Debt Securities comprising part of the Portfolio to banks, broker dealers or other financial institutions that qualify as a professional market party for Dutch regulatory purposes and have a short term senior unsecured debt rating of at least "F1" by Fitch and "A-1+" by S&P and a long term senior unsecured debt rating of at least "A+" by Fitch (in such capacity, a "**Securities Lending Counterparty**") pursuant to one or more agreements in pre-agreed forms to be entered into between the Issuer and the Securities Lending Counterparty from time to time (each, a "**Securities Lending Agreement**"). Such loans will be required to be secured by collateral in an amount equal to at least 102 per cent. of the market value of the Collateral Debt Securities, determined daily. However, in the event that the borrower of a loaned Collateral Debt Security defaults on its obligation to return such loaned Collateral Debt Security because of insolvency or otherwise, the Issuer could experience delays and costs in gaining access to the collateral posted by the borrower (and in extreme circumstances could be restricted from selling the collateral). In the event that the borrower defaults, the Noteholders could suffer a loss to the extent that the realised value of the cash or securities securing the obligation of the borrower to return a loaned Collateral Debt Security (less expenses) is less than the amount required to purchase such Collateral Debt Securities in the open market. This shortfall could be due to, among other things, discrepancies between the mark to market and actual transaction prices for the loaned Collateral Debt Securities arising from limited liquidity or availability of the loaned Collateral Debt Securities and, in extreme circumstances, the loaned Collateral Debt Securities being unavailable at any price. The Rating Agencies may downgrade any of the Senior Notes or the other Rated Notes if a borrower of a Collateral Debt Security or, if applicable, the entity guaranteeing the performance of such borrower, has been downgraded by any of the Rating Agencies such that the Issuer is not in compliance with the Securities Lending Counterparty required ratings. In the event that either of the Initial Purchaser and/or one or more of any of their Affiliates, with acceptable credit support arrangements borrow Collateral Debt Securities, this may create certain conflicts of interest.

PIK Securities. PIK Securities may not pay current interest in cash; all or part of a PIK Security's interest may be deferred or capitalised and added to principal or paid by the issuance of a further obligation.

Collateral Reinvestment Provisions

During the Reinvestment Period, the Collateral Manager will have discretion to reinvest Principal Proceeds, Sale Proceeds, Uninvested Proceeds, amounts standing to the credit of the Initial Proceeds Account, the Additional Collateral Account and the Sterling Additional Collateral Account and, in certain circumstances, Interest Proceeds in Additional Collateral Debt Securities and additional Eligible Investments, in each case in compliance with the Reinvestment Criteria. The ability of the Issuer to obtain Additional Collateral Debt Securities, and the interest rates and terms on which such Additional Collateral Debt Securities can be obtained, as well as the interest rates and other terms in connection with the investment of funds in Eligible Investments, may affect the timing and amount of payments to the holders of the Notes. Any adverse impact of such reinvestment (or lack thereof) of such amounts and the interest rates on such Additional Collateral Debt Securities and Eligible Investments will be borne first by the holders of the Class N Notes, then by holders of the Class E Notes, then by the holders of the Class D Notes, then by the holders of the Class C Notes, then by the holders of the Class B Notes and then by the holders of the Senior Notes. The impact, including any adverse impact, of such disposal or potential reinvestment on the holders of the Class N Notes will be magnified by the leveraged nature of the Class N Notes. See "*Description of the Portfolio*".

Investment and Repayment of Payments under the Class A1A Notes

During the Ramp-Up Period and the Reinvestment Period, provided that the conditions to funding are met, the Issuer (acting through the Collateral Manager) may draw on the Class A1A Notes and invest the proceeds in the acquisition of Additional Collateral Debt Securities which satisfy the Eligibility Criteria and in accordance with the Reinvestment Criteria.

To the extent the Principal Proceeds remain uninvested during the Reinvestment Period, such amount may be used to repay outstanding fundings under the Class A1A Notes as set out in the Priorities of Payment. The ability to draw upon the Class A1A Notes may be cancelled in certain situations (see "*Description of the Class A1A Note Purchase Agreement*" below), in which event the principal so repaid will cease to be available for reinvestment. The impact of the cancellation of the ability to draw under the Class A1A Notes may adversely impact the holders of the Class N Notes due to the leveraged nature of the Class N Notes.

The Issuer will be exposed to credit risk in respect of the Class A1A Noteholders with respect to any Drawing required to be made to the Issuer by the Class A1A Noteholders. The Issuer will depend upon each Class A1A Noteholder to perform its obligations pursuant to the terms of the Class A1A Notes. If a Class A1A Noteholder defaults or becomes unable to perform its obligations pursuant to the terms and conditions of the Class A1A Notes, due to insolvency or otherwise, the Issuer may not receive funding to which it would otherwise be entitled, which may in turn affect the ability of the Issuer to invest in further Collateral Debt Securities which could in turn impact on the ability of the Issuer to repay the Notes.

The entitlement of the Noteholders in respect of the exercise of remedies under the terms and conditions of the Notes if an Issuer Event of Default occurs thereunder and the exercise of certain other voting rights will be determined by reference to the aggregate principal amount of the Notes Outstanding. For the purposes of calculating the voting rights of the Class A1A Noteholders, it will be by reference to the Total Commitments rather than the Total Outstandings.

Each Class A1A Noteholder or its guarantor, as applicable, will be required to meet the Rating Requirement on the Issue Date. There can be no assurance that any Class A1A Noteholder or its guarantor, as applicable, will maintain the Rating Requirement. If at any time the Class A1A Noteholder or its guarantor, as applicable, fails to maintain the Rating Requirement, it is required to take remedial action pursuant to the Class A1A Note Purchase Agreement.

Pursuant to the Class A1A Note Purchase Agreement, the Class A1A Notes are also subject to additional transfer restrictions which will not apply to the other Notes, e.g. transferees of the Class A1A Notes will be required to meet with the Rating Requirement. Such restrictions are more particularly described in the Class A1A Note Purchase Agreement.

Concentration Risk

Payments in respect of the Notes could be impacted by the concentration of the Collateral Debt Securities in the Portfolio in any one area, country, obligor or industry with respect to collateral defaults. The obligors under certain Collateral Debt Securities in the Portfolio may be incorporated or operating in jurisdictions other than those which have adopted the Euro as their currency. Changes in the exchange rate between foreign currencies and the Euro and changes in the economies of the European jurisdictions which have adopted the Euro and other jurisdictions (including non-European jurisdictions) may therefore affect defaults on such Collateral Debt Securities disproportionately. In addition, although Synthetic Securities must be denominated in Euro or Sterling, the Reference Obligations underlying Synthetic Securities may be denominated in a currency other than Euro or Sterling. As such, the value of such Synthetic Securities may be adversely affected by fluctuations and devaluations of the currency in which the Reference Obligation is denominated.

Illiquidity of Collateral Debt Securities

Many of the Collateral Debt Securities purchased by the Collateral Manager, on behalf of the Issuer will have no, or only a limited, trading market. The Issuer's investment in illiquid Collateral Debt Securities may restrict its ability to dispose of investments in a timely fashion and at a market price which is at or above par as well as its ability to take advantage of market opportunities, although the Issuer is generally prohibited by the Collateral Management Agreement from selling Collateral Debt Securities, except under certain limited circumstances described under "*Description of the Portfolio—Sale of Collateral Debt Securities and Reinvestment Criteria*". Illiquid Collateral Debt Securities may trade at a discount from comparable, more

liquid investments. In addition, the Collateral Manager, on behalf of the Issuer may invest in privately placed Collateral Debt Securities that may or may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale, and even if such privately placed Collateral Debt Securities are transferable, the prices realised from their sale could be less than those originally paid by the Issuer or less than what may be considered the fair value of such securities.

The financial markets have experienced substantial fluctuations in prices for non-investment grade debt securities and loans and limited liquidity for such obligations. No assurance can be given that the conditions giving rise to such price fluctuations and limited liquidity will not occur following the Issue Date. During periods of limited liquidity and higher price volatility, the Issuer's ability to acquire or dispose of Collateral Debt Securities at a price and time that the Issuer deems advantageous may be impaired. As a result, in periods of rising market prices, the Issuer may be unable to participate in price increases fully to the extent that it is unable to acquire desired positions quickly and the Issuer's inability to dispose fully and promptly of positions in declining markets may exacerbate losses suffered by the Issuer when Collateral Debt Securities in the Portfolio are sold. A decrease in the market value of the Collateral Debt Securities in the Portfolio would also adversely affect the sale proceeds that could be obtained upon the sale of the Collateral Debt Securities and could ultimately affect the ability of the Issuer to pay in full or redeem the Notes, including the ability of the Issuer to pay in full or redeem the Class N Notes pursuant to the right of optional redemption set out in Condition 7(b)(i)(A) (*Redemption at the Option of the Class N Noteholders*) or otherwise. There can be no assurance that, upon any such redemption, the proceeds realised would permit any payment on the Class N Notes after required payments are made in respect of the Senior Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and the other creditors of the Issuer which rank in priority thereto pursuant to the Priorities of Payment.

Insolvency Considerations with respect to Issuers and Borrowers of Collateral Debt Securities

The Collateral Debt Securities in the Portfolio may be subject to various laws enacted for the protection of creditors in the jurisdictions of incorporation of obligors and, if different, the jurisdictions from which the obligors conduct their business and in which they hold their assets. These insolvency considerations will differ depending on the country in which each obligor or its assets is located and may differ depending on whether the obligor is a non-sovereign or a sovereign entity.

Certain Conflicts of Interest

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

The Collateral Manager and its Affiliates may invest for their own account or for the account of others in securities or loans that may be appropriate as security for the Notes and in doing so neither the Collateral Manager nor any such Affiliate shall have any duty in making such investments or to act in a way that is favourable to the interests of the Issuer or the holders of the Notes. Such investments may be the same as or different from those made on behalf of the Issuer. The Collateral Manager may engage in negotiations leading to the restructuring of investments held for its own account. If such investments are also held by the Issuer, in entering into such negotiations, neither the Collateral Manager nor any of its Affiliates will have any duty to act in any way which is favourable to the interests of the Issuer or the holders of the Notes.

The Collateral Manager and its Affiliates may also have ongoing relationships in the ordinary course of business with companies whose securities or loans secure the Notes and may underwrite or own debt or equity securities issued by, or loans of, obligors of Collateral Debt Securities or other obligations forming part of the Portfolio. In addition, Affiliates and clients of the Collateral Manager may invest in securities and loans that are senior to, or have interests different from or adverse to, the securities and loans that secure the Notes.

The Collateral Manager and its Affiliates may also serve as a general partner and/or manager of limited partnerships or limited liability companies organised to issue collateralised debt obligations or collateralised loan obligations secured by debt obligations. At the same time as the Collateral Manager is seeking investments for purchase by the Issuer, the Collateral Manager or its Affiliates may simultaneously be seeking investments for purchase by entities similar to the Issuer for which any of them act as manager or adviser ("**Related Entities**"), for purchase by their clients or for purchase on their own account or that of any of their Affiliates.

In its capacity as Collateral Manager, the Collateral Manager and/or its Affiliates may engage in other businesses and furnish investment management services to Related Entities whose investment policies differ from those followed by the Collateral Manager on behalf of the Issuer as required by the Collateral Management Agreement. In such capacity, the Collateral Manager may effect transactions which differ from those effected with respect to the Collateral for the Notes. In addition, the Collateral Manager may, from time to time, cause or direct Related Entities to buy or sell or may recommend to Related Entities the buying and selling of debt obligations of the same or of a different kind or class of the same obligor, as Collateral Debt Securities or other obligations which are part of the Portfolio which the Collateral Manager purchases or sells on behalf of the Issuer. Accordingly, conflicts may arise regarding the allocation of investment opportunities amongst the Issuer and the Related Entities. Situations may occur where the Issuer could be disadvantaged because of the investment activities conducted by the Collateral Manager for the Related Entities. It should be noted that the Collateral Management Agreement places significant restrictions on the Collateral Manager's ability to buy and sell obligations comprising the Portfolio on which the Notes are secured and, accordingly, during certain periods or in certain specified circumstances, the Collateral Manager may be unable to buy or sell obligations which either form or are intended to form part of the Portfolio or to take other actions which it might consider to be in the best interests of the Issuer and the Noteholders.

Although the principals and employees of the Collateral Manager will devote as much time to the Issuer as the Collateral Manager deems appropriate, such principals and employees may have conflicts in allocating their time and services among the Issuer and the Collateral Manager's other accounts and businesses.

The Collateral Manager and its Affiliates may, in the conduct of their respective businesses, receive or become aware of price sensitive information which is not generally available to the public that may restrict the Collateral Manager from purchasing or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of its clients or itself. The Collateral Management Agreement contains provisions which absolve the Collateral Manager from any responsibility for its failure to act in relation to the administration of the Portfolio in circumstances where it or any of its Affiliates are in receipt of price sensitive information and where in the opinion of the Collateral Manager investment by the Collateral Manager on behalf of the Issuer might breach the provisions of insider dealing legislation or laws to which it or the Issuer are subject.

The Collateral Manager may in the future serve as a manager of other Related Entities organised to issue collateralised debt obligations or collateralised loan obligations secured by high yield debt securities, loans and/or other obligations or securities.

On the Issue Date, Investec and/or one or more of its Affiliates will acquire 25 per cent. of the principal amount of the Class N Notes Outstanding. Investec and/or any fund, partnership, trust, company or any entity with respect to which it acts as investment manager will not acquire or hold at any time, directly or indirectly, more than 25 per cent. of the principal amount outstanding of the Class N Notes. It is the intention of Investec either to hold, directly or indirectly, or to have a fund, partnership, trust, company or other entity with respect to which it acts as investment manager hold, a minimum average of 19.5 per cent. of the principal amount outstanding of the Class N Notes in any five year period until maturity or earlier redemption, so long as Investec is the Collateral Manager.

The Collateral Manager, on behalf of the Issuer, may also from time to time purchase obligations from itself, its Affiliates or Related Entities or sell obligations to itself, its Affiliates or its Related Entities. It may not always be possible for the Collateral Manager to obtain the current market price for such obligations because market quotations for particular obligations may not be generally available. In such circumstances, the Collateral Manager is entitled to determine the price of such obligations in its discretion, *provided* that it does so in good faith.

The Issuer will deal with the Collateral Manager and Affiliates of the Collateral Manager on an arm's length basis and anticipates that the commissions, mark-ups and mark-downs charged by the Collateral Manager or its Affiliates or Related Entities will generally be competitive, although the Collateral Manager and its Affiliates or Related Entities may have interests in such transactions that are adverse to those of the Issuer, such as an interest in obtaining favourable commission rates, mark-ups and mark-downs.

The Collateral Manager, its Affiliates and their respective clients may invest in securities which satisfy the Eligibility Criteria for Collateral Debt Securities. The Collateral Manager and its Affiliates may also have ongoing relationships with companies whose securities or obligations secure the Notes and may own debt securities issued by issuers of Collateral Debt Securities. As a result thereof, officers of Affiliates of the

Collateral Manager may possess information relating to issuers of, or Reference Obligors under, Collateral Debt Securities which is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral Debt Securities and performing the other obligations under the Collateral Management Agreement. In addition, the Collateral Manager, its Affiliates or clients of the Collateral Manager may invest in securities that are senior to, or have interests different from or adverse to, the obligations that secure the Notes. The Collateral Manager (and/or its Affiliates) may at certain times be simultaneously seeking to purchase or dispose of investments for its (or their) account(s), the Issuer, any similar entity for which it (or they) serves (or serve) as investment manager or adviser and for its (or their) clients, respectively. Further, certain Noteholders may be clients of the Collateral Manager or its (or their) Affiliates. The Collateral Manager may make investment decisions for its clients and Affiliates that may be different from those made by the Collateral Manager on behalf of the Issuer.

The Collateral Manager has various funds or companies under management on the Issue Date. Trading between such other funds or companies under the management of the Collateral Manager and the Issuer is likely. The investment policies and procedures to be used by the Collateral Manager in managing the Collateral Debt Securities in the Portfolio on behalf of the Issuer may be different from the policies and procedures used by the Collateral Manager in managing other investments. Furthermore, in managing other investments, the Collateral Manager may purchase or dispose of securities in accordance with criteria other than those contemplated in this Prospectus and the Collateral Management Agreement. The nature of, and risks associated with, the investments and strategies undertaken on behalf of the Issuer may differ substantially from those investments and strategies undertaken historically and (with respect to other investments) in the future by the Collateral Manager.

In addition, neither the Collateral Manager nor any of its Affiliates is under any obligation to offer investment opportunities of which they become aware to the Issuer or to account to the Issuer (or share with the Issuer or inform the Issuer of) any such transaction or any benefit received by them from any such transaction. Furthermore, neither the Collateral Manager nor any of its Affiliates has any affirmative obligation to offer any investments to the Issuer or to inform the Issuer of any investments before offering any investments to other funds or accounts that the Collateral Manager and/or its Affiliates manage or advise. Also, Affiliates of the Collateral Manager may make an investment on behalf of entities other than the Issuer. As a result, the Collateral Manager and its Affiliates may recommend or engage in activities that would compete with or otherwise adversely affect the Issuer. Neither is there any limitation or restriction on the Collateral Manager or any of its Affiliates from acting as investment manager (or in a similar role) to other parties or persons.

It should be noted that an up-front fee will be paid to the Collateral Manager on the Issue Date from the proceeds of issuance. The Issuer will be obliged to pay any Replacement Collateral Manager, the Base Collateral Management Fee and a Replacement Collateral Manager Subordinated Fee. As the up-front fee payable to the Collateral Manager is not repayable to the Issuer, the Issuer's obligation to pay the Replacement Collateral Manager Subordinated Fee to any Replacement Collateral Manager may adversely affect the Issuer's ability to repay the Class N Noteholders.

Dependence on Key Personnel

Because the composition of the Collateral Debt Securities will vary over time, the performance of the Issuer depends heavily on the skills of the Collateral Manager in analysing, selecting and managing the Collateral Debt Securities. As a result, the Issuer will be highly dependent on the financial and managerial experience of certain individuals associated with the Collateral Manager. Employment arrangements between those individuals and the Collateral Manager may exist, but the Issuer is not a direct beneficiary of such arrangements, which arrangements are in any event subject to change without the consent of the Issuer. The loss of one or more of these individuals could have a material adverse effect on the performance of the Issuer. However, this is mitigated in the Collateral Management Agreement where a requirement is imposed on the Collateral Manager to ensure certain key persons are employed by the Collateral Manager for the life of the deal and a failure to retain such key persons or their replacements could lead to removal of the Collateral Manager with "cause" as more particularly described under "*Description of the Collateral Management Agreement*". Moreover, the Collateral Management Agreement may also be terminated under certain circumstances described herein under "*Description of the Collateral Management Agreement*".

Termination of Collateral Manager "without cause"

If the Issuer removes the Collateral Manager "without cause" in accordance with the Collateral Management Agreement then the Issuer is liable to pay the Collateral Manager a Collateral Manager

Termination Amount. The payment of this amount may impact adversely on the holders of the Class N Notes due to the leveraged nature of the Class N Notes.

Initial Purchaser. The Initial Purchaser or any of its Affiliate (or one or more accounts or conduits managed by the Initial Purchaser or its Affiliates) may hold Notes of any Class from time to time subject to the restrictions contained in the same. Affiliates of the Initial Purchaser or the Initial Purchaser may also be a Class A1A Noteholder and the Liquidity Facility Provider.

One or more of the Initial Purchaser and its Affiliates may also act as counterparty with respect to one or more Synthetic Securities, Hedge Agreement or Participations.

Certain of the Collateral Debt Securities in the Portfolio may consist of obligations of obligors or issuers for which the Initial Purchaser or an Affiliate of the Initial Purchaser has acted as underwriter, agent, placement agent or dealer or for which an Affiliate of the Initial Purchaser has acted as lender or provided other commercial or investment banking services. The Issuer may purchase some of the Collateral Debt Securities from the Initial Purchaser and its Affiliates, but only to the extent the Collateral Manager determines that such purchases are consistent with the investment guidelines and objectives of the Issuer and the restrictions contained in the Collateral Management Agreement. In any event, all purchases of Collateral Debt Securities in the Portfolio from such entities are required to be on an arms' length basis.

The Initial Purchaser and its Affiliates are actively engaged in transactions in the same securities or loans in which the Issuer may invest. Such transactions may be different from those made on behalf of the Issuer. Subject to applicable law, the Initial Purchaser and its Affiliates may purchase or sell the securities of, or otherwise invest in or finance or provide investment banking, advisory and other services to companies, in which the Issuer has an interest. The Initial Purchaser and its Affiliates may also have proprietary interests in, and may manage or advise other accounts or investment funds that have investment objectives similar or dissimilar to those of the Issuer and/or which engage in transactions in, the same types of securities as the Issuer. As a result, the Initial Purchaser and its Affiliates may possess information relating to obligors on or issuers of Collateral Debt Securities which is not known to the Collateral Manager. None of the Initial Purchaser nor its Affiliates is under any obligation to share any investment opportunity, idea or strategy with the Collateral Manager or the Issuer. As a result, the Initial Purchaser and its Affiliates may compete with the Issuer for appropriate investment opportunities and will be under no duty or obligation to share such investment opportunities with the Issuer.

The Issuer may also invest in the securities of companies affiliated with the Initial Purchaser or in which the Initial Purchaser has an equity or participation interest. The purchase, holding and sale of such investments by the Issuer may enhance the profitability of the Initial Purchaser's own investments in such companies.

Projections, Forecasts and Estimates

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

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates, currency exchange rate, market, financial or legal uncertainties, the timing of acquisitions of Collateral Debt Securities in the Portfolio, differences in the actual allocation of the Collateral Debt Securities among asset categories from those assumed, the timing of acquisitions of the Collateral Debt Securities, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from the Collateral Debt Securities in the Portfolio (particularly during the Ramp-Up Period), defaults under Collateral Debt Securities in the Portfolio and the effectiveness of the Hedge Agreements, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Collateral Manager, the Trustee, the Initial Purchaser or any of their respective Affiliates or any other person or entity of the results that will actually be achieved by the Issuer.

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

Interest Rate Risk

The Rated Notes (other than the Class A1A Notes), Euro Drawings under the Class A1A Notes and any Class A1B Refinancing Notes will bear interest at a rate based on the Applicable EURIBOR and Sterling Drawings under the Class A1A Notes will bear interest at a rate based on the Class A1A LIBOR.

The aggregate principal amount of the floating rate Notes and the amount outstanding under the Class A1A Notes will not be exactly equal to the aggregate principal amount of floating rate Collateral Debt Securities, nor will the basis of computation of such respective floating rates be the same, nor will the timing of payments of such respective floating rate notes be the same.

Accordingly, the Notes are subject to interest rate risk to the extent that there is an interest rate mismatch between (a) the aggregate principal amount of the floating rate Notes and the amount outstanding under the Class A1A Notes, and the aggregate principal amount of floating rate Collateral Debt Securities or (b) different interest rate bases used as the basis for calculating interest on a Rated Note or the Class A1A Notes and any floating rate Collateral Debt Security.

The Notes are also subject to a timing mismatch between the floating rate Notes and the underlying Collateral Debt Securities as the interest rates on Collateral Debt Securities may adjust more frequently or less frequently, on different dates and based on different indices than the interest on the floating rate Notes. It is expected that the Liquidity Facility will be used to mitigate the effects of any such timing mismatches. However, no assurance can be given that the notional amount of the Liquidity Facility will be sufficient to cover the full extent of these timing mismatches.

In addition, any payments of principal of or interest on Collateral Debt Securities received during a Due Period and not invested in other Collateral Debt Securities will generally be reinvested in Eligible Investments maturing not later than the Determination Date immediately preceding the next Payment Date. There is no requirement that Eligible Investments bear interest at the Applicable EURIBOR or as the case may be, Class A1A LIBOR, and the interest rates available for Eligible Investments are inherently uncertain.

As a result of these mismatches, a change in the level of EURIBOR or as the case may be, LIBOR or other floating rate indices could adversely impact the ability of the Issuer to make payments on the Notes (including by reason of a decline in the value of previously issued fixed rated Collateral Debt Securities as interest rates increase).

On the Issue Date, the Issuer will not enter into interest rate swap agreements or interest rate cap agreements to reduce the impact of the interest rate mismatches which might otherwise arise. No interest hedge transactions are required by the Rating Agencies as determined by their multiple stress scenarios. Therefore, the Class N Notes may bear more interest rate risk than the Rated Notes.

There can be no assurance that the Collateral Debt Securities and Eligible Investments will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Notes or to ensure any particular return. Because interest on the Notes is payable from Interest Proceeds, there can be no assurance that the yield on such Notes will not be adversely affected.

Currency Risk

The Notes (other than the Class A1A Notes) are obligations of the Issuer denominated in Euro and the Class A1A Notes are obligations of the Issuer denominated in Euro and Sterling. The Issuer will be able to acquire Collateral Debt Securities denominated in Euro and Sterling and in non-Euro currencies, *provided* that such Non-Euro Collateral Debt Securities are the subject of an Asset Swap Transaction. The Issuer, subject to Condition 3(c) (*Priorities of Payment*) will use Sterling Interest Proceeds and Sterling Principal Proceeds to pay its liabilities under the Class A1A Notes denominated in Sterling and Euro Interest Proceeds and Euro Principal Proceeds to pay its liabilities under the Notes and the Class A1A Notes denominated in Euro. On the Issue Date, the Issuer will also purchase Sterling call options pursuant to the Initial Hedge Agreement. To the extent that there are excess proceeds denominated in one currency, and the Issuer does not have sufficient amounts in the other currency to pay its liabilities, then in accordance with the Priorities of Payment and the provisions of Condition 3(c)(v) (*FX Conversion*), the Issuer may convert such excess proceeds into the required currency at the Spot Rate to pay such liabilities. In addition, if the Collateral Manager on behalf of the Issuer exercises the Sterling call options, the Issuer may receive Sterling amounts to meet its Sterling liabilities. Therefore, the Noteholders may suffer a risk that Euro Interest Proceeds and Euro Principal Proceeds which may have been

available to them on subsequent payment dates are utilised to pay the Issuer's liabilities in Sterling. In addition, the Noteholders may also take the risk of any currency mismatches if proceeds from Sterling Collateral Debt Securities have to be converted to Euro to repay the Issuer's obligations denominated in Euro.

Average Life and Duration of the Notes

The Maturity Date of the Notes is 18 July 2023; however, the average life of each Class of Notes is expected to be shorter than or equal to the number of years until their Maturity Date. Average life refers to the average amount of time that will elapse from the date of delivery of a debt obligation until each Euro (or Sterling in the case of the Sterling Drawings) of the principal of such debt obligation will be paid to the investor. The average lives of each Class of the Notes will be determined by the amount and frequency of principal payments in respect of such Class, which are dependent upon, among other things, any shortening of the Reinvestment Period and the amount of payments received at or in advance of the scheduled maturity of Collateral Debt Securities (whether through sale, maturity, redemption, default or other liquidation or disposition). The actual average lives and actual maturities of each Class of the Notes will be affected by the financial condition of each of the obligors of the underlying Collateral Debt Securities and the characteristics of such loans and securities, including the existence, timing and frequency of exercise of any optional or mandatory redemption features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Securities, and the frequency of tender or exchange offers for such Collateral Debt Securities. Certain of the Collateral Debt Securities are expected to be subject to sinking fund or optional redemption by the obligors of such loans and securities. Any disposition of a Collateral Debt Security may change the composition and characteristics of the Collateral Debt Securities and the rate of payment thereon, and, accordingly, may affect the actual average lives of each Class of the Notes. The rate of future defaults and the amount and timing of any cash realisation from Defaulted Securities will also affect the maturity and average lives of each Class of the Notes. The ability of the Collateral Manager to reinvest Principal Proceeds and to invest amounts drawn under the Class A1A Notes in the manner described under "Description of the Portfolio" below will also affect the average lives of each Class of the Notes.

In addition, the maturity of the Notes may also occur earlier than the Stated Maturity in the event of a mandatory redemption (as described in Condition 7(c) (*Mandatory Redemption*)) or an optional redemption (as described in Condition 7(b) (*Optional Redemption*)). See "*Mandatory Redemption*" and "*Optional Redemption*" above.

Application of Unused Proceeds on the First Payment Date after the Ramp-Up Period

Net proceeds from the issuance and sale of the Notes not invested in Collateral Debt Securities on the Issue Date, as applicable, and not used in repayment of the Class A1A Notes, may be invested in Eligible Investments, pending the application of such funds or investments to the purchase of the remainder of the Portfolio, until the end of the Ramp-Up Period. In the event that the Collateral Manager on behalf of the Issuer is unable to purchase some of the Collateral Debt Securities during the Ramp-Up Period, then the balance of the net issue proceeds (excluding investment earnings thereon) may be paid no later than on the first Payment Date following the end of the Ramp-Up Period to the Euro Payment Account and deemed to constitute Euro Principal Proceeds and will be applied on such first Payment Date in accordance with the Priorities of Payment which could reduce the leverage ratio of the Class N Notes to the other Classes of Notes which could adversely affect the level of returns to the holders of the Class N Notes.

Exercise of Rights under Collateral Enhancement Securities

The ability of the Collateral Manager, acting on behalf of the Issuer, to exercise any rights or options under any Collateral Enhancement Security will be dependent upon there being amounts standing to the credit of the Collateral Enhancement Account which are sufficient to pay the costs of any such exercise. There can be no assurance that amounts standing to the credit of the Collateral Enhancement Account will be sufficient to fund the exercise of any right or option under any Collateral Enhancement Security at any time. Failure to exercise any such right or option may result in a reduction of the returns to the Class N Noteholders.

Voting Rights Upon Issuer Event of Default

To the extent permitted by any applicable laws, upon the occurrence of an Issuer Event of Default, the Trustee at the direction of the Controlling Class may direct the exercise of remedies under the Trust Deed, including, subject to certain conditions, (a) to declare the acceleration of the principal of and accrued interest on

all the Notes, (b) to rescind such declaration of acceleration, (c) to direct the sale and liquidation of the Collateral, and (d) to waive certain defaults with respect to the Notes.

Security

(a) *Clearing Systems*: The Collateral Debt Securities purchased by the Collateral Manager on behalf of the Issuer, which are securities, will be held by the Custodian. The Custodian will hold certain of the securities (i) through its accounts with Euroclear, Clearstream, Luxembourg and DTC, as appropriate, and (ii) through its sub-custodians who will in turn hold such Collateral Debt Securities which are securities both directly and through any appropriate clearing system. Those securities held in clearing systems may not be held in special purpose accounts and will be fungible with other securities from the same issue held in the same accounts on behalf of the other customers of the Custodian or its sub-custodian, as the case may be. A fixed charge over the Issuer's rights in and to such Collateral Debt Securities which are securities was created under English law pursuant to the Trust Deed on the Issue Date and will take effect as a security interest over the right of the Issuer to require delivery of such securities from the Custodian in accordance with the terms of the Agency Agreement. However, the charge created pursuant to the Trust Deed may be insufficient or ineffective to secure the Collateral Debt Securities which are securities for the benefit of Noteholders, particularly in the event of any insolvency or liquidation of the Custodian or any sub-custodian that has priority over the right of the Issuer to require delivery of such assets from the Custodian in accordance with the terms of the Agency Agreement. Any risk of loss arising from any insufficiency or ineffectiveness of the security for the Notes will be borne by the Noteholders without recourse to the Trustee, the Initial Purchaser or any other party.

Some Collateral Debt Securities, Collateral Enhancement Securities, Defaulted Equity Securities and Eligible Investments are securities to be held by the Custodian in a pledged account with Euroclear (the "**Euroclear Pledged Account**"). These securities held in the Euroclear Pledged Account will be the subject of a commercial pledge under Belgian law created by the Issuer pursuant to the Euroclear Pledge Agreement entered into by the Issuer on the Issue Date. The effect of this security interest will, *inter alia*, be to enable the Custodian, on enforcement, to sell the securities in the Euroclear Pledged Account on behalf of the Trustee. The Euroclear Pledge Agreement will not entitle the Trustee to require delivery of the relevant securities from the depositary or depositaries that have physical custody of such securities or allow the Trustee to dispose of such securities directly other than by sale upon an enforcement of the security interest.

In addition, custody and clearance risks may be associated with Collateral Debt Securities which are securities that do not clear through DTC or Euroclear or Clearstream, Luxembourg. There is a risk, for example, that such securities could be counterfeit, or subject to a defect in title or claims to ownership by other parties.

(b) *Fixed Charge*: Although the security constituted by the Trust Deed over certain of the Collateral Debt Securities and certain other assets of the Issuer held from time to time, including the security over the Accounts, is expressed to take effect as fixed security, it may (as a result, *inter alia*, of the substitutions of Collateral Debt Securities contemplated by the Collateral Management Agreement and the payments to be made from the Accounts in accordance with the Transaction Documents) take effect as a floating charge which, in particular, would rank after a subsequently created fixed security interest. However, the Issuer has covenanted not to create any such subsequent security interests unless the Rating Agencies have confirmed that such actions would not adversely affect the then current ratings of any of the Senior Notes and the other Rated Notes.

(c) *Governing Law of the Security*: The Trust Deed and security interests created pursuant to it are governed by English law. Some of the Collateral Debt Securities will be obligations governed by the laws of jurisdictions other than England and Wales and which require different and/or additional procedures and/or documentation to create or perfect any security interest. The Trust Deed contains a further assurance clause under which the Issuer agrees to take such further action as the Trustee may require to ensure that it creates valid security over its assets in favour of the Trustee. The Euroclear Pledge Agreement will be governed by Belgian law.

Liability to Stamp Taxation and Other Charges

Purchasers of the Notes may be required to pay stamp taxes and other charges, in accordance with the laws and practices of the country of purchase, in addition to the issue price of each Note. Potential purchasers should consult their own tax advisers as to the tax consequences of the purchase, ownership, transfer or exercise of any Notes or of any interest in any Notes. In addition, potential purchasers of the Notes should be aware that tax regulations (including those relating to stamp taxation) and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. In particular, no representation is made as to the manner in which payments under the Notes would be characterised by any relevant taxing authority.

Withholding Tax; Changes in Tax Law; No Gross Up

Withholding on Collateral Debt Securities. Under the Eligibility Criteria, a Collateral Debt Security will be eligible for purchase by the Issuer if, at the time it is purchased, either the payments thereon are not subject to withholding tax imposed by any jurisdiction or if the obligation provides for "gross-up" payments that cover the full amount of any such withholding taxes. Where payments under the Collateral Debt Securities purchased by the Collateral Manager on behalf of the Issuer are not subject to withholding tax at the time of acquisition by the Collateral Manager on behalf of the Issuer this is generally as a consequence of the Issuer being able to take advantage of a double taxation treaty between The Netherlands and the jurisdiction from which the relevant payment is made, the current applicable law in the jurisdiction of the borrower or, in certain cases, as a result of the fact that the Issuer has taken a Participation in such Collateral Debt Securities from a Selling Institution which is able to pay interest payable under such Participation gross if paid in the ordinary course of its business.

As a result of a recent judgment of the UK Court of Appeal, it could be argued that payments of interest on Collateral Debt Securities with UK Obligors cannot benefit from the interest article in the UK/The Netherlands double taxation treaty. This would mean that UK income tax would need to be withheld (currently at a rate of 20 per cent.) from such interest payments. HM Revenue & Customs ("**HMRC**") published draft guidance on 9 October 2006 setting out their approach to claims for treaty relief in circumstances where they consider that the judgment might be considered to apply. HMRC state that benefits under a double taxation treaty will not be denied where interest is paid to a special purpose vehicle which issues a quoted eurobond. The Notes issued by the Issuer should be quoted eurobonds so long as they are and remain listed on the Irish Stock Exchange. It is therefore unlikely that HMRC will seek to deny benefits under the UK/The Netherlands double taxation treaty to UK Obligors as regards the payment of interest to the Issuer. However, the HMRC guidance is in draft form and may therefore be subject to amendment before being finalised. It is not possible to identify whether any such amendment may adversely affect any UK Obligor's position as regards a claim under the UK/The Netherlands double taxation treaty to pay interest without withholding or deduction for or on account of UK income tax.

In the event that the Issuer receives any interest payments on any Collateral Debt Security purchased by it net of any applicable withholding tax, the Coverage Tests and Collateral Quality Tests will be determined by reference to such net receipts. There can be no assurance that, as a result of any change in any applicable law, treaty, rule, regulation or interpretation thereof, the payments on the Collateral Debt Securities purchased by the Issuer might not in the future become subject to withholding tax or increased withholding rates. In the event that any or greater withholding tax is imposed on payments on the Collateral Debt Securities purchased by the Issuer, such tax would reduce the amounts available to make payments on the Notes. There can be no assurance that remaining payments on the Collateral Debt Securities purchased by the Issuer would be sufficient to make timely payments of interest, principal on the Maturity Date and other amounts payable in respect of the Notes of each Class. In the event the imposition of any such tax at any time after the Issue Date results in the occurrence of a Tax Event, the holders of 66⅔ per cent. of the principal amount of the Controlling Class or the holders of 66⅔ per cent. of the principal amount outstanding of the Class N Notes may consent to the Issuer's redemption of the Notes in full, but not in part. See Condition 7(b) (*Optional Redemption*).

Withholding on Notes. The Issuer expects that payments of principal, interest and Redemption Prices in respect of the Notes by the Issuer will not be subject to any withholding tax in The Netherlands or any other jurisdiction. However, there can be no assurance that, as a result of any change in any applicable law, treaty, rule, regulation, or interpretation thereof, the payments on the Notes will not in the future become subject to withholding taxes. For example, see "*Tax Considerations - EU Directive on the Taxation of Savings Income (2003/48/EC)*". In the event that withholding or deduction of any taxes from payments of principal or interest in respect of the Notes is required by law in any jurisdiction, the Issuer shall be under no obligation to make any additional payments to the holders of any Notes in respect of such withholding or deduction. See "*Tax*

Considerations". The Notes may, however, be redeemed pursuant to Condition 7(b)(i)(B) (*Redemption for Tax Reasons*).

U.S. Tax Treatment of U.S. Holders of Rated Notes and Class N Notes

The Issuer intends to treat the Class A Notes, Class B Notes, Class C Notes, Class D Notes, the Class E Notes (collectively the "**Class A-E Notes**") and the Class A1A Notes, and the Trust Deed requires that holders agree to treat such Notes, as debt for U.S. federal income tax purposes. The U.S. Internal Revenue Service may challenge the treatment of such Notes as debt of the Issuer. If the challenge succeeded, such Notes would be treated as equity interests in the Issuer, and the U.S. federal income tax consequences of investing in the such Notes would be the same as the consequences of investing in Class N Notes as described below.

The Issuer intends to treat the Class N Notes as equity of the Issuer for U.S. federal income tax purposes. Because the Issuer will be a passive foreign investment company for U.S. federal income tax purposes, a U.S. person holding Class N Notes may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognise currently its proportionate share of the Issuer's income. A U.S. holder that makes a qualified electing fund election may recognise income in amounts significantly greater than the distributions received from the Issuer. A U.S. holder that makes the election will be required to include in current income its *pro rata* share of the earnings whether or not the Issuer actually makes distributions. In this regard, prospective U.S. purchasers of the Class N Notes should be aware that it is possible that a significant amount of the Issuer's income, as determined for U.S. federal income tax purposes, will not be distributed on a current basis for a number of potential reasons, including the retirement of all or a portion of certain Classes of Notes. Therefore, U.S. holders of the Class N Notes that make a qualified electing fund election may owe tax on a significant amount of "phantom" income. The U.S. holder may be able to elect to defer payment, subject to an interest charge for the deferral period, of the tax on income recognised on account of the qualified electing fund election. The Issuer also may be a controlled foreign corporation, in which case U.S. persons holding Class N Notes could be subjected to different tax treatments. See "*Tax Considerations*".

U.S. Federal Income Tax Considerations. Prospective investors should review the section entitled, "**Tax Considerations**."

Investment Company Act

The Issuer has not registered with the United States Securities and Exchange Commission (the "**SEC**") as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies organised under the laws of a jurisdiction other than the United States or any state thereof (a) whose investors resident in the United States are solely "**Qualified Purchasers**" (within the meaning given to such term in the Investment Company Act and the regulations of the SEC thereunder) or certain transferees thereof identified in Rule 3c-6 under the Investment Company Act and (b) which do not make a public offering of their securities in the United States. No opinion or no action position has been requested of the SEC.

To rely on Section 3(c)(7) of the Investment Company Act, the Issuer must have a "reasonable belief" that all purchasers of the Notes (including the initial purchasers and subsequent transferees) which are U.S. residents (within the meaning of the Investment Company Act) are "Qualified Purchasers". Given that transfers of beneficial interests in the Notes will generally be effected only through Euroclear, Clearstream, Luxembourg or DTC and its participants and indirect participants without delivery of written transferee certifications to the Issuer, the Issuer will establish the existence of such a reasonable belief by means of the deemed representations, warranties and agreements described under "*Plan of Distribution and Transfer Restrictions*", the agreements of the Initial Purchaser referred to under "*Plan of Distribution and Transfer Restrictions*" and the procedures described below. Although the SEC has stated that it is possible for an issuer of securities to satisfy the reasonable belief standard referred to above by establishing procedures to provide a means by which such issuer can make a reasonable determination as to the status of its security holders as "Qualified Purchasers", the SEC has not approved, and has stated that it will not approve, any particular set of procedures including the procedures described herein. Accordingly, there can be no assurance that the Issuer will have satisfied the reasonable belief standard referred to above.

If the SEC or a court of competent jurisdiction were to find that the Issuer is required, but in violation of the Investment Company Act had failed, to register as an investment company, possible consequences include, but are not limited to, the following: (a) the SEC could apply to a district court to enjoin the violation; (b) investors in the Issuer could sue the Issuer to recover any damages caused by the violation; and (c) any contract to which

the Issuer is party that is made in, or whose performance involves a, violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer be subjected to any or all of the foregoing, the Issuer would be materially and adversely affected.

Each purchaser of a beneficial interest in a Rule 144A Global Note will be deemed to represent and agree at the time of purchase that: (a) the purchaser is both a Qualified Institutional Buyer and a Qualified Purchaser purchasing for its own account or one or more accounts with respect to which it exercises sole investment discretion, each of which is both a Qualified Institutional Buyer and a Qualified Purchaser, and in each case is purchasing the Notes for investment purposes and not with a view to the resale, distribution or other disposition thereof; (b) the purchaser is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.$25,000,000 in securities of issuers that are not affiliated persons of the dealer; (c) the purchaser is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan; (d) the purchaser was not formed for the purposes of investing in the Issuer (except where each individual owner of the purchaser is a Qualified Purchaser); (e) that such purchaser, and each account for which it is purchasing, will hold and transfer at least the Minimum Denomination; (f) that such purchaser acknowledges that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry registries; and (g) that such purchaser acknowledges that the Notes have not been and will not be registered under the Securities Act and may not be re-offered, resold, pledged or otherwise transferred except (1) to a Qualified Purchaser that the seller reasonably believes is a Qualified Institutional Buyer, purchasing for its own account or one or more accounts with respect to which it exercises sole investment discretion, each of which is a Qualified Purchaser that the seller reasonably believes is a Qualified Institutional Buyer, to whom notice is given that the resale, pledge or other transfer is being made in reliance on an exemption from the registration requirements of the Securities Act and from which the same representations and acknowledgements are received as given by the purchaser in this sentence, none of which is (x) a dealer of the type described in paragraph (a)(1)(ii) of Rule 144A unless it owns and invests on a discretionary basis not less than U.S.$25,000,000 in securities of issuers that are not affiliated to it, (y) a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan, or (z) formed for the purpose of investing in the Issuer (except where each beneficial owner of the purchaser is a Qualified Purchaser), or (2) to a person that is neither a U.S. Person nor a U.S. Resident in an "offshore transaction" in reliance on Regulation S and (i) the purchaser will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee.

The Trust Deed provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of a Note (or any interest therein) is a U.S. Person (within the meaning of Regulation S under the Securities Act) and is not both a Qualified Institutional Buyer and Qualified Purchaser, then the Issuer may require, by notice to such Noteholder, that such Noteholder sell all of its right, title and interest to such Note (or interest therein) to a Person that is a Qualified Institutional Buyer and Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30 day period, (i) upon direction from the Issuer, the Trustee, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610 of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognised market or that may decline speedily in value) to a person that certifies to the Trustee, the Issuer and the Collateral Manager, in connection with such transfer, that such person is a both Qualified Institutional Buyer and a Qualified Purchaser and to whom a beneficial interest in such Note may be otherwise transferred in accordance with the transfer restrictions set forth in the Trust Deed and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

ERISA Considerations

See "*ERISA Considerations*" for a detailed discussion of certain ERISA, Code and related considerations with respect to an investment in the Notes.

German Taxation of Noteholders

Investors who are tax resident in Germany, investors holding Notes through a German permanent establishment (or a permanent representative) and investors presenting Notes at the office of a German credit institution or financial services institution (each as defined in the German Banking Act (*Kreditwesengesetz*)) may be subject to the German Investment Tax Act (*Investmentsteuergesetz*) (the "**Investment Tax Act**").

There is currently legal uncertainty in Germany as to whether the Investment Tax Act would apply to certain classes of collateralised debt obligation notes, collateralised loan obligations notes and similar instruments. According to a tax decree (the "**Decree**") on the interpretation of the Investment Tax Act issued by the Federal Ministry of Finance (*Bundesfinanzministerium — BMF*) on 2 June 2005, CDO vehicles (as defined in the Decree) shall not qualify as foreign investment funds within the meaning of the Investment Tax Act if, according to the contractual terms, save for the replacement of collateral obligations for the purpose of securing the volume, the duration and the risk structure of the portfolio, only up to 20 per cent of the assets of the Issuer may be freely traded per annum, regardless of the class of securities held in such vehicle. There is an increased risk that the exemption referred to above may not be applied to the Issuer by the German tax authorities and/or courts and the Issuer therefore may qualify as a foreign investment fund. In this case, the Investment Tax Act will very likely apply to the Class N Notes and to the Class E Notes and there remains even a risk that the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes might be subject to the Investment Tax Act. The more junior a Class of Notes is, the higher is the risk that the Investment Tax Act may apply.

Prospective German investors are, therefore, urged to seek independent tax advice and to consult their professional advisers on this matter as to (i) whether the relevant Notes are within the scope of the Investment Tax Act, and, in particular, whether the relevant Notes are exempt under the Decree, and (ii) the legal and tax consequences that may arise from the possible application of the Investment Tax Act to the relevant Notes and neither the Issuer nor the Arranger or any other party accepts any responsibility in respect of the German tax position of the Notes or the holders of the Notes.

There are other German tax considerations relevant to Noteholders For further details relating to the risks outlined above and further German tax considerations, this section should be carefully read in conjunction with the section entitled "*Tax Considerations — German Taxation*".

CONDITIONS OF THE NOTES

The following are the conditions of each of the Senior Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class N Notes substantially in the form in which they will be endorsed on such Notes if issued in definitive certificated form and will be incorporated by reference into the Global Notes of each Class representing the Notes subject to the provisions of such Global Notes, some of which will modify the effect of these Conditions. See "Form of the Notes—Amendments to Conditions".

The issue of up to €75,000,000 Class A1A Senior Secured Floating Rate Variable Funding Notes due 2023 (the "**Class A1A Notes**"), €75,000,000 Class A1B Senior Secured Floating Rate Notes due 2023 (including any Class A1B Refinancing Notes issued as described herein, the "**Class A1B Notes**"), €48,800,000 Class A2 Senior Secured Floating Rate Notes due 2023 (the "**Class A2 Notes**" and together with the Class A1A Notes and the Class A1B Notes, the "**Class A Notes**" or the "**Senior Notes**"), €24,130,000 Class B Deferrable Secured Floating Rate Notes due 2023 (the "**Class B Notes**"), €21,900,000 Class C Deferrable Secured Floating Rate Notes due 2023 (the "**Class C Notes**"), €22,020,000 Class D Deferrable Secured Floating Rate Notes due 2023 (the "**Class D Notes**"), €10,780,000 Class E Deferrable Secured Floating Rate Notes due 2023 (the "**Class E Notes**" and together with the Senior Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "**Rated Notes**"), and €32,800,000 Class N Subordinated Notes due 2023 (the "**Class N Notes**", and together with the Rated Notes, the "**Notes**"), was authorised by a resolution of the board of Managing Directors of the Issuer dated 29 June 2007.

The Notes are constituted by a trust deed (the "**Trust Deed**") expected to be dated on or about 5 July 2007, between, amongst others, the Issuer, The Law Debenture Trust Corporation p.l.c. in its capacity as trustee (the "**Trustee**", which expression shall include all persons for the time being acting as the trustee or trustees under the Trust Deed) for the Secured Parties. In the event of replacement or removal of the Trustee, a suitable replacement shall be found before any termination of the Trustee's appointment will be effected.

These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed (which includes the forms of the certificates representing the Notes). The following agreements have been entered into on or about the Issue Date in relation to the Notes:

(a) an agency agreement dated on or about the Issue Date (the "**Agency Agreement**") between the Issuer, HSBC Bank plc in its capacity as principal paying agent (the "**Principal Paying Agent**", which term shall include any successor or substitute principal paying agent appointed pursuant to the terms of the Agency Agreement) and in its capacity as exchange rate agent (the "**Exchange Rate Agent**", which term shall include any successor or substitute exchange rate agent appointed pursuant to the terms of the Agency Agreement) and in its capacity as account bank (the "**Account Bank**", which term shall include any successor or substitute account bank appointed pursuant to the terms of the Agency Agreement) and in its capacity as custodian (the "**Custodian**", which term shall include any successor or substitute custodian appointed pursuant to the terms of the Agency Agreement), HSBC Institutional Trust Services (Ireland) Limited in its capacity as Irish paying agent (the "**Irish Paying Agent**", which term shall include any successor or substitute Irish paying agent appointed pursuant to the terms of the Agency Agreement), HSBC Bank USA, N.A. in its capacity as US paying agent (the "**US Paying Agent**", which term shall include any successor or substitute US paying agent appointed pursuant to the terms of the Agency Agreement and, together with the Principal Paying Agent and the Irish Paying Agent, the "**Paying Agents**") and in its capacity as transfer agent (together with any other transfer agents appointed from time to time pursuant to the Agency Agreement, the "**Transfer Agents**", which term shall include any successor or substitute transfer agent appointed pursuant to the terms of the Agency Agreement) and in its capacity as capital commitment registrar (the "**Capital Commitment Registrar**", which term shall include any successor or substitute capital commitment registrar appointed pursuant to the Class A1A Note Purchase Agreement) and in its capacity as registrar (the "**Registrar**", which term shall include any successor or substitute registrar appointed pursuant to the terms of the Agency Agreement), Law Debenture Asset Backed Solutions Limited as collateral administrator (the "**Collateral Administrator**", which term shall include any successor or substitute collateral administrator appointed pursuant to the terms of the Collateral Administration Agreement) and Investec Principal Finance, a business unit division of Investec Bank (UK) Ltd. (the "**Collateral Manager**", which term shall include any successor or substitute collateral manager appointed pursuant to the terms of the Collateral Management Agreement) and the Trustee;

(b) a collateral management agreement dated on or about the Issue Date (the "**Collateral Management Agreement**") between the Collateral Manager, the Issuer and the Trustee;

(c) a collateral administration agreement dated on or about the Issue Date (the "**Collateral Administration Agreement**") between the Collateral Administrator, the Issuer, the Collateral Manager, the Trustee and the Account Bank;

(d) a bank account agreement dated on or about the Issue Date (the "**Bank Account Agreement**") between the Account Bank, the Issuer, the Trustee, the Collateral Administrator and the Collateral Manager under which the Account Bank agrees to act as Account Bank in respect of the Accounts of the Issuer;

(e) a management agreement dated on or about the Issue Date (the "**Management Agreement**") between the Managing Directors and the Issuer under which the Managing Directors agree to provide certain services to the Issuer;

(f) the Initial Hedge Agreement dated on or about the Issue Date between the Issuer and The Bank of New York (the "**Initial Hedge Counterparty**", which term shall include any successor or substitute initial hedge counterparty, the subject of Rating Agency Confirmation, appointed pursuant to the terms of the Initial Hedge Agreement);

(g) a subscription and placement agreement dated on or about the Issue Date (the "**Subscription and Placement Agreement**") between Dresdner Bank AG London Branch (the "**Initial Purchaser**") and the Issuer;

(h) a Class A1A Note Purchase Agreement dated on or about the Issue Date (the "**Class A1A Note Purchase Agreement**") between the Issuer, the Trustee, the Capital Commitment Registrar, Dresdner Bank AG London Branch as the initial purchaser of the Class A1A Notes on the Issue Date, the Collateral Manager, the Collateral Administrator, the Principal Paying Agent and the Account Bank;

(i) a Liquidity Facility Agreement dated on or about the Issue Date (the "**Liquidity Facility Agreement**") between the Issuer, the Trustee, the Collateral Manager, the Collateral Administrator and Dresdner Bank AG London Branch as Liquidity Facility Provider (the "**Liquidity Facility Provider**", which term shall include any successor or substitute liquidity facility provider appointed pursuant to the terms of the Liquidity Facility Agreement); and

(j) a Euroclear Pledge Agreement dated on or about the Issue Date (the "**Euroclear Pledge Agreement**") between the Issuer as pledgor, The Law Debenture Trust Corporation p.l.c. as pledgee and the Custodian in respect of certain securities held in Euroclear.

Copies of the Trust Deed, the Agency Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Bank Account Agreement, the Management Agreement, each Hedge Agreement, the Subscription and Placement Agreement, the Class A1A Note Purchase Agreement, the Liquidity Facility Agreement, any Additional Security Documents, any Securities Lending Agreements, the Collateral Acquisition Agreements and the Euroclear Pledge Agreement will be available for inspection during usual business hours at the principal office of the Principal Paying Agent (as at the Issue Date, at 8 Canada Square, London E14 5HQ) and at the specified offices of the Transfer Agents.

The holders of each Class of Notes are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Trust Deed and the other Transaction Documents.

References to the Trust Deed and to any other Transaction Document or other document referred to in these Conditions shall be deemed to include reference to such document, as amended, modified, supplemented, replaced or novated from time to time in accordance with the terms of the Trust Deed or any other Transaction Document or other document.

1. Definitions

In these Conditions, the following terms shall have the following meaning:

"**Accounts**" means the Initial Proceeds Account, the Interest Collection Account, the Principal Collection Account, the Additional Collateral Account, the Sterling Additional Collateral Account, the Euro Principal Reserve Account, the Collateral Enhancement Account, the Euro Payment Account, the Sterling Payment Account, the Liquidity Payment Accounts, each Stand-by Liquidity Account, each Stand-by Account, the Securities Lending Account, the Euro Expense Account, the Sterling Expense Account, the Sterling Interest

Account and the Sterling Principal Account and each Currency Account, each of which is to be held and administered outside of The Netherlands.

"**Accrued Euro Collateral Interest Amount**" means, as of any Payment Date, the amount which is equal to the aggregate of all accrued interest under the Collateral Debt Securities (including for the avoidance of doubt, the non-Euro accrued interest of Non-Euro Collateral Debt Securities, the subject of an Asset Swap Transaction which shall be converted into Euro at the relevant Asset Swap Transaction Exchange Rate) in the Portfolio (other than Defaulted Securities) denominated in Euro which is not payable to the Issuer on or prior to the Determination Date in respect of such Payment Date by the Obligors of the relevant Collateral Debt Securities.

"**Accrued Sterling Collateral Interest Amount**" means, as of any Payment Date, the amount which is equal to the aggregate of all accrued interest under the Collateral Debt Securities (excluding for the avoidance of doubt, the Sterling accrued interest of Non-Euro Collateral Debt Securities which is denominated in Sterling, the subject of an Asset Swap Transaction) in the Portfolio (other than Defaulted Securities) denominated in Sterling which is not payable to the Issuer on or prior to the Determination Date in respect of such Payment Date by the Obligors of the relevant Collateral Debt Securities.

"**Additional Collateral Account**" means the Euro account so named of the Issuer held with the Account Bank, amounts standing to the credit of which, subject to certain conditions, may be used to purchase Additional Collateral Debt Securities during the Reinvestment Period.

"**Additional Collateral Debt Security**" means a Bank Loan, Mezzanine Loan, Second Lien Loan, Special Debt Security, CLO Security or Synthetic Security including a Participation, purchased by or on behalf of the Issuer during or after the Reinvestment Period pursuant to the Collateral Management Agreement.

"**Additional Reinvestment Criteria**" means the Additional Reinvestment Criteria specified in the Collateral Management Agreement.

"**Additional Security Documents**" means each security document which may be required to be entered into by the Issuer from time to time in addition to the Trust Deed and the Euroclear Pledge Agreement in order to perfect any security granted by the Issuer to the Trustee pursuant to the Trust Deed and "**Additional Security Document**" shall mean any of them.

"**Adjustment Amount**" means on any date, the product obtained by multiplying (x) the Principal Balance in respect of a Collateral Debt Security by (y) the difference between (A) 100 per cent. and (B) the applicable Recovery Percentage; *provided* that the Adjustment Amount with respect to the first 5 per cent. of the Maximum Investment Amount of all CCC Securities having the highest Market Value will be zero.

"**Administrative Expenses**" means amounts due and payable in the order of priority listed below to:

(a) the independent accountants, agents and counsel of the Issuer, including fees, costs and expenses payable to each Agent (other than the Capital Commitment Registrar) and the Account Bank pursuant to the Agency Agreement and the Bank Account Agreement respectively;

(b) the Managing Directors pursuant to the Management Agreement;

(c) the Collateral Administrator pursuant to the Collateral Administration Agreement;

(d) any Rating Agency which may, from time to time, be requested to assign a rating to or reaffirm each rating of the Senior Notes and the other Rated Notes or a confidential credit estimate to any of the Collateral Debt Securities, for fees and expenses in connection with any such rating or confidential credit estimate and to any Rating Agency with respect to such Rating Agency's fees and expenses in connection with its monitoring of the Rated Notes;

(e) any Capital Commitment Registrar's Fees;

(f) any Person in respect of the fees, costs and expenses incurred by the Issuer in connection with any issue of Class A1B Refinancing Notes;

(g) any other Person in respect of any governmental fee or charge;

(h) any other Person in respect of any other fees or expenses permitted under these Conditions, the Transaction Documents and the documents delivered pursuant to or in connection with the Notes or the sale thereof (including the fees of any stock exchange on which the Notes are listed) other than any Class A1A Increased Margin;

(i) the Collateral Manager pursuant to the Collateral Management Agreement, but excluding any Collateral Management Fees;

(j) any amounts payable to the Liquidity Facility Provider including amounts of interest payable pursuant to Clause 8.1(c) and 8.2(c) of the Liquidity Facility Agreement but excluding amounts payable pursuant to Clause 6 (*Repayment and Prepayment*), the other provisions of Clause 8 (*Interest*) and Clause 18 (*Fees*) of the Liquidity Facility Agreement;

(k) any Selling Institution in respect of fees, costs and expenses relating to any Participation after the date of entry into such Participation; and

(l) any fees, costs or expenses incurred in connection with any Securities Lending Agreement;

in each case, together with any VAT due and payable in respect thereof, *provided* that Administrative Expenses shall not include any Trustee Fees or amounts due or accrued with respect to the actions taken on or in connection with the Issue Date, including fees payable to the Rating Agencies and any other fees and expenses which are payable out of the proceeds of the issue of the Notes.

"**Affiliate**" or "**Affiliated**" means with respect to a Person, (a) any other Person who directly or indirectly is in control of, or is controlled by, or is under common control with, such Person and any partnership in respect of which such Person is the general or managing partner or investment fund of which such Person is the manager or (b) any other Person who is a director, officer or employee (i) of such Person, (ii) of any subsidiary or parent company of such Person or (iii) of any Person described in paragraph (a) above. For the purposes of this definition, "control" of a Person shall mean the power, direct or indirect, (A) to vote more than 50 per cent. of the securities having ordinary voting power for the election of directors of such Person, or (B) to direct or cause the direction of the investments, management or policies of such Person whether by contract or otherwise.

"**Agents**" means each of the Registrar, the Transfer Agents, the Exchange Rate Agent, the Custodian, the Capital Commitment Registrar and the Paying Agents and each of their permitted successors or assigns and "**Agent**" means any of them.

"**Applicable EURIBOR**" means (a) with respect to the Notes, six month EURIBOR for the Notes or EURIBOR for such other appropriate period in respect of the first Interest Accrual Period and the Interest Accrual Period immediately prior to the Maturity Date or the Redemption Date; and (b) with respect to any Euro Drawings, Class A1A EURIBOR.

"**Asset Swap Transaction**" means each asset swap transaction entered into pursuant to a Hedge Agreement by the Issuer with a Hedge Counterparty in connection with Non-Euro Collateral Debt Securities under which the Issuer swaps cash flows receivable on such Non-Euro Collateral Debt Securities for Euro denominated cash flows from such Hedge Counterparty.

"**Asset Swap Transaction Exchange Rate**" means the exchange rate specified as such in, and applicable to each Asset Swap Transaction.

"**Authorised Denomination**" means integral multiples of €1,000.

"**Authorised Officer**" means, with respect to the Issuer, any Managing Director of the Issuer or person who is authorised to act for the Issuer in matters relating to, and binding upon, the Issuer.

"**Bank Loan**" means (i) an Eligible Floating Rate Note; (ii) a Senior Secured Loan; or (iii) *provided* that Rating Agency Confirmation is received that it may be treated as a Bank Loan for the purposes of the

Eligibility Criteria, an interest in any such obligation and (iv) a Synthetic Security, the Reference Obligation applicable to which is an obligation of the type described in paragraphs (i) to (iii) above.

"**Base Collateral Management Fee**" means the sum of (i) the fee payable to the Collateral Manager on each Payment Date pursuant to the Collateral Management Agreement, equal to 0.10 per cent. per annum (calculated on the basis of a 360 day year and the actual number of days elapsed in such Due Period) of the daily weighted average aggregate of the Principal Balances of the Collateral Debt Securities during the Due Period ending immediately preceding such Payment Date and (ii) any value added tax in respect thereof (whether payable to the Collateral Manager or directly to the relevant taxing authority).

"**Basic Terms Modification**" has the meaning given to it in Condition 14(a) (*Meetings of Noteholders*).

"**Break Costs**" means, in relation to each Class A1A Noteholder and a Drawing repaid on a day other than a Payment Date, the amount (if any) calculated by the Principal Paying Agent by which (i) the interest which such Class A1A Noteholder should have received for the period from the date of receipt of all or any part of such Drawing to the next Payment Date, had the principal amount of such Drawing been paid on such Payment Date; exceeds (ii) the amount which such Class A1A Noteholder would have received had it received Class A1A EURIBOR with respect to Drawings in Euro or Class A1A LIBOR with respect to Drawings in Sterling (as applicable) on an amount equal to the principal amount of the Drawing or any part thereof, as the case may be, received by it for a period starting on the Business Day following receipt thereof and ending on the next Payment Date and by interpolating linearly between (i) the available offered rate for the period closest to and greater than the relevant period and (ii) the available offered rate for the period closest to and less than the relevant period. The determination of the Principal Paying Agent as to the amounts payable pursuant to this definition shall be conclusive absent manifest error, based upon the assumption that such Class A1A Noteholder funded its Class A1A Note purchase in the London Interbank Eurodollar market and using any reasonable attribution or averaging methods which such Class A1A Noteholder deemed appropriate and practical.

"**Business Day**" means (unless otherwise defined):

(a) a day on which the TARGET System is open; and

(b) a day on which commercial banks and foreign exchange markets settle payments in London and New York City and on which banks are open for business in the place of the specified office of the Registrar (other than a Saturday, Sunday or public holiday).

"**Capital Commitment Register**" shall have the meaning ascribed to it in the Class A1A Note Purchase Agreement.

"**Capital Commitment Registrar Fees**" means the fees payable to the Capital Commitment Registrar in respect of its services in connection with the Class A1A Notes.

"**CCC Security**" means any Collateral Debt Security (other than a Non-Performing Security) that has a Fitch Rating of "CCC+" or below or a S&P Rating of "CCC+" or below.

"**Class**" or "**Class of Notes**" means, in respect of the Notes, the class of Notes identified as either Class A1A Notes, Class A1B Notes, Class A2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class N Notes; *provided* that for the purposes of voting on resolutions, issuing directions to the Trustee and any other decisions required to be made by any Noteholders, the Class A Notes shall constitute one class and the most senior class for so long as the Class A Notes are Outstanding and "**Class of Noteholders**" shall be construed accordingly.

"**Class A Notes**" means the Class A1A Notes, the Class A1B Notes and the Class A2 Notes.

"**Class A1A Aggregate Interest Amount**" means the Class A1A Interest Amount plus any Commitment Fee.

"**Class A1A Day Count Fraction**" means the day count fraction based on the actual number of days elapsed within the applicable Class A1A Notes Interest Period (and with respect to the first payment of interest on any Drawing made between Payment Dates only, the actual number of days elapsed from (and

including) the date of such Drawing to (but excluding) the next following Payment Date) divided by (i) 360 days in the case of each Euro Drawing and (ii) 365 days (or 366 days in a leap year) in the case of each Sterling Drawing, or, in each case, otherwise as market convention dictates, as determined by the Principal Paying Agent.

"**Class A1A Definitive Notes**" means the Class A1A Regulation S Definitive Notes and the Class A1A Rule 144A Definitive Notes.

"**Class A1A EURIBOR**" means in relation to any Euro Drawing or unpaid sum denominated in Euros under the Class A1A Note Purchase Agreement:

(a) the percentage rate per annum of the offered quotation for deposits in Euros determined by the Banking Federation of the European Union for a period equal or comparable to the required period which appears on Telerate Page 248 at or about 11.00 a.m. (Brussels time) on the applicable Quotation Date (and, in respect of any Euro Drawing made between Payment Dates, an appropriate straight line interpolated rate for the period up to (but excluding) the next following Payment Date); or

(b) if the rate cannot be determined under paragraph (a) above, the arithmetic mean (rounded upwards to the nearest four decimal places with the midpoint rounded upwards) as supplied to the Principal Paying Agent at its request quoted by the Class A1A Reference Banks to prime banks in the European interbank market, at or about 11.00 a.m. (Brussels time) on the Quotation Date for the offering of deposits in Euro (for the avoidance of doubt, being, in respect of any Euro Drawing made between Payment Dates, an appropriate straight line interpolated rate for the period up to (but excluding) the next following Payment Date) and for a period comparable to the required period for that Drawing or unpaid sum in Euro,

and for the purposes of this definition:

(c) "**required period**" means the applicable Class A1A Notes Interest Period for a Euro Drawing or the period in respect of which Class A1A EURIBOR falls to be determined in relation to any unpaid sum denominated in Euro; and

(d) "**Telerate Page 248**" means the display designated as Page 248 on the Telerate Service (or such other pages as may replace Page 248 on that service or such other service as may be nominated by the Banking Federation of the European Union (including the Reuter's Screen) as the information vendor for the purposes of displaying the Banking Federation of the European Union rates for deposits in Euros).

"**Class A1A Euro Rate of Interest**" shall have the meaning ascribed to it in the Class A1A Note Purchase Agreement.

"**Class A1A Increased Margin**" means any incremental interest accruing on the Class A1A Notes to the extent resulting from the accrual of interest on the Class A1A Notes at an additional rate of 0.15 per cent. per annum in respect of a Class A1A Notes Interest Period during which any of the Class A1A Senior Notes is not rated at least "AA" by Fitch and "AA" by S&P respectively.

"**Class A1A Interest Amount**" shall have the meaning given thereto in Condition 6(k) (*Interest on the Class A1A Notes*).

"**Class A1A LIBOR**" means, in relation to any Sterling Drawing or unpaid sum denominated in Sterling under the Class A1A Note Purchase Agreement:

(a) the GBP-LIBOR-BBA, which appears on the relevant Quotation Date (for the avoidance of doubt, being, in respect of any Sterling Drawing made between Payment Dates, an appropriate straight line interpolated rate for the period up to (but excluding) the next following Payment Date); or

(b) (if no GBP-LIBOR-BBA is available for Sterling for the required period) the arithmetic mean of the rates (rounded upwards to four decimal places with the mid-point rounded upwards) as supplied to the Principal Paying Agent at its request quoted by the Class A1A Reference Banks to leading banks in the London interbank market, at or about 11.00 a.m. (London time) on the Quotation Date for the offering

of deposits in Sterling (for the avoidance of doubt, being, in respect of any Sterling Drawing made between Payment Dates, an appropriate straight line interpolated rate for the period up to (but excluding) the next following Payment Date) and for a period comparable to the required period for that Drawing or unpaid sum in Sterling,

and for the purposes of this definition, "**required period**" means the applicable Class A1A Notes Interest Period for a Sterling Drawing or the period in respect of which Class A1A LIBOR falls to be determined in relation to any unpaid sum denominated in Sterling.

"**Class A1A Margin**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class A1A Noteholders**" means the holders of the Class A1A Notes from time to time.

"**Class A1A Notes**" means the €75,000,000 Class A1A Senior Secured Floating Rate Variable Funding Notes due 2023 and includes the Class A1A Regulation S Definitive Notes and the Class A1A Rule 144A Definitive Notes.

"**Class A1A Notes Interest Period**" means the period commencing on (and including) the Issue Date or, as the case may be, the date on which a Drawing is made, to (but excluding) the next Payment Date (and thereafter from and including one Payment Date to and excluding the next Payment Date) or, if different, the date a Drawing is repaid (or such other period as may be agreed between the Issuer and the Principal Paying Agent, as instructed by the Class A1A Noteholders in the case of any Drawing which falls between Payment Dates) and, in respect of the last Class A1A Notes Interest Period, the period commencing on (and including) the Payment Date (or as the case may be, the date of a Drawing), that immediately precedes the Repayment Date to but excluding the Repayment Date.

"**Class A1A Reference Bank**" shall have the meaning ascribed thereto in the Class A1A Note Purchase Agreement.

"**Class A1A Regulation S Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class A1A Notes pursuant to the Trust Deed and the Class A1A Note Purchase Agreement and sold under Regulation S, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes replacements for Class A1A Regulation S Definitive Notes issued pursuant to the Conditions.

"**Class A1A Rule 144A Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class A1A Notes pursuant to the Trust Deed and the Class A1A Note Purchase Agreement and sold under Rule 144A, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes any replacements for the Class A1A Rule 144A Definitive Notes issued pursuant to the Conditions.

"**Class A1A Sterling Rate of Interest**" shall have the meaning ascribed to it in the Class A1A Note Purchase Agreement.

"**Class A1B Definitive Notes**" means the Class A1B Regulation S Definitive Notes and the Class A1B Rule 144A Definitive Notes.

"**Class A1B Further Issue Notes**" has the meaning given to it in Condition 17 (*Further Issues*).

"**Class A1B Global Notes**" means each of the Class A1B Regulation S Global Note and the Class A1B Rule 144A Global Note.

"**Class A1B Margin**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class A1B Note Interest Rate**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class A1B Noteholders**" means the holders of the Class A1B Notes from time to time.

"**Class A1B Notes**" means the €75,000,000 Class A1B Senior Secured Floating Rate Notes due 2023 and the Class A1B Refinancing Notes (if issued) or the amount thereof for the time being Outstanding, or as the

context may require, a specific number thereof and, unless expressly stated to the contrary, all references to the Class A1B Notes shall be a reference to such Class A1B Notes whether in global form or definitive form and issued pursuant to Regulation S or Rule 144A.

"**Class A1B Regulation S Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class A1B Regulation S Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Regulation S, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes any replacements for Class A1B Regulation S Definitive Notes issued pursuant to the Conditions.

"**Class A1B Regulation S Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class A1B Regulation S Notes, substantially in the form set out in the Trust Deed.

"**Class A1B Regulation S Notes**" means the Class A1B Regulation S Global Note and the Class A1B Regulation S Definitive Notes.

"**Class A1B Rule 144A Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class A1B Rule 144A Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Rule 144A, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes any replacements for Class A1B Rule 144A Definitive Notes issued pursuant to the Conditions.

"**Class A1B Rule 144A Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class A1B Rule 144A Notes, substantially in the form set out in the Trust Deed.

"**Class A1B Rule 144A Notes**" means the Class A1B Rule 144A Global Note and the Class A1B Rule 144A Definitive Notes.

"**Class A1B Refinancing Noteholders**" means the holder of the Class A1B Refinancing Notes from time to time.

"**Class A1B Refinancing Notes**" means any Class A1B Notes issued by the Issuer pursuant to Condition 17(a) (*Further Issues*) after the Issue Date.

"**Class A2 Definitive Notes**" means the Class A2 Regulation S Definitive Notes and the Class A2 Rule 144A Definitive Notes.

"**Class A2 Further Issue Notes**" has the meaning given to it in Condition 17 (*Further Issues*).

"**Class A2 Global Notes**" means each of the Class A2 Regulation S Global Note and the Class A2 Rule 144A Global Note.

"**Class A2 Margin**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class A2 Note Interest Rate**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class A2 Noteholders**" means the holders of the Class A2 Notes from time to time.

"**Class A2 Notes**" means the €48,800,000 Class A2 Senior Secured Floating Rate Notes due 2023 or the amount thereof for the time being Outstanding, or as the context may require, a specific number thereof and, unless expressly stated to the contrary, all references to the Class A2 Notes shall be a reference to such Class A2 Notes whether in global form or definitive form and issued pursuant to Regulation S or Rule 144A.

"**Class A2 Regulation S Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class A2 Regulation S Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Regulation S, substantially in the form set out in the Trust Deed or, as the context may

require, a specific number thereof and includes any replacements for Class A2 Regulation S Definitive Notes issued pursuant to the Conditions.

"**Class A2 Regulation S Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class A2 Regulation S Notes, substantially in the form set out in the Trust Deed.

"**Class A2 Regulation S Notes**" means the Class A2 Regulation S Global Note and the Class A2 Regulation S Definitive Notes.

"**Class A2 Rule 144A Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class A2 Rule 144A Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Rule 144A, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes any replacements for the Class A2 Rule 144A Definitive Notes issued pursuant to the Conditions.

"**Class A2 Rule 144A Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class A2 Rule 144A Notes, substantially in the form set out in the Trust Deed.

"**Class A2 Rule 144A Notes**" means the Class A2 Rule 144A Global Note and the Class A2 Rule 144A Definitive Notes.

"**Class B Deferred Interest**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class B Definitive Notes**" means the Class B Regulation S Definitive Notes and the Class B Rule 144A Definitive Notes.

"**Class B Further Issue Notes**" has the meaning given to it in Condition 17 (*Further Issues*).

"**Class B Global Notes**" means each of the Class B Regulation S Global Note and the Class B Rule 144A Global Note.

"**Class B Margin**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class B Note Interest Rate**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class B Noteholders**" means the holders of the Class B Notes from time to time.

"**Class B Notes**" means the €24,130,000 Class B Deferrable Secured Floating Rate Notes due 2023 or the amount thereof for the time being Outstanding, or as the context may require, a specific number thereof and, unless expressly stated to the contrary, all references to the Class B Notes shall be a reference to such Class B Notes whether in global form or definitive form and issued pursuant to Regulation S or Rule 144A.

"**Class B Overcollateralisation Ratio**" means, as at any Measurement Date, the ratio (expressed as a percentage) obtained by dividing the Net Portfolio Collateral Balance by the aggregate principal amount of the Senior Notes and the Class B Notes Outstanding (including for the avoidance of doubt, any Class B Deferred Interest).

"**Class B Overcollateralisation Ratio Test**" shall be satisfied in respect of any Measurement Date falling on or after the Target Date, if on such Measurement Date, the Class B Overcollateralisation Ratio is at least 125 per cent.

"**Class B Regulation S Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class B Regulation S Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Regulation S, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes any replacements for Class B Regulation S Definitive Notes issued pursuant to the Conditions.

"**Class B Regulation S Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class B Regulation S Notes, substantially in the form set out in the Trust Deed.

"**Class B Regulation S Notes**" means the Class B Regulation S Global Note and the Class B Regulation S Definitive Notes.

"**Class B Rule 144A Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class B Rule 144A Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Rule 144A, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes any replacements for Class B Rule 144A Definitive Notes issued pursuant to the Conditions.

"**Class B Rule 144A Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class B Rule 144A Notes, substantially in the form set out in the Trust Deed.

"**Class B Rule 144A Notes**" means the Class B Rule 144A Global Note and the Class B Rule 144A Definitive Notes.

"**Class C Deferred Interest**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class C Definitive Notes**" means the Class C Regulation S Definitive Notes and the Class C Rule 144A Definitive Notes.

"**Class C Further Issue Notes**" has the meaning given to it in Condition 17 (*Further Issues*).

"**Class C Global Notes**" means each of the Class C Regulation S Global Note and the Class C Rule 144A Global Note.

"**Class C Margin**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class C Note Interest Rate**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class C Noteholders**" means the holders of the Class C Notes from time to time.

"**Class C Notes**" means the €21,900,000 Class C Deferrable Secured Floating Rate Notes due 2023 or the amount thereof for the time being Outstanding, or as the context may require, a specific number thereof and, unless expressly stated to the contrary, all references to the Class C Notes shall be a reference to such Class C Notes whether in global form or definitive form and issued pursuant to Regulation S or Rule 144A.

"**Class C Overcollateralisation Ratio**" means, as at any Measurement Date, the ratio (expressed as a percentage) obtained by dividing the Net Portfolio Collateral Balance by the aggregate principal amount of the Senior Notes, the Class B Notes and the Class C Notes Outstanding (including for the avoidance of doubt, any Class B Deferred Interest and Class C Deferred Interest).

"**Class C Overcollateralisation Ratio Test**" shall be satisfied in respect of any Measurement Date falling on or after the Target Date if, on such Measurement Date, the Class C Overcollateralisation Ratio is at least 116.6 per cent.

"**Class C Regulation S Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class C Regulation S Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Regulation S, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes any replacements for Class C Regulation S Definitive Notes issued pursuant to the Conditions.

"**Class C Regulation S Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class C Regulation S Notes, substantially in the form set out in the Trust Deed.

"**Class C Regulation S Notes**" means the Class C Regulation S Global Note and the Class C Regulation S Definitive Notes.

"**Class C Rule 144A Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class C Rule 144A Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Rule 144A, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes any replacements for Class C Rule 144A Definitive Notes issued pursuant to the Conditions.

"**Class C Rule 144A Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class C Rule 144A Notes, substantially in the form set out in the Trust Deed.

"**Class C Rule 144A Notes**" means the Class C Rule 144A Global Note and the Class C Rule 144A Definitive Notes.

"**Class D Deferred Interest**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class D Definitive Notes**" means the Class D Regulation S Definitive Notes and the Class D Rule 144A Definitive Notes.

"**Class D Further Issue Notes**" has the meaning given to it in Condition 17 (*Further Issues*).

"**Class D Global Notes**" means each of the Class D Regulation S Global Note and the Class D Rule 144A Global Note.

"**Class D Margin**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class D Note Interest Rate**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class D Noteholders**" means the holders of the Class D Notes from time to time.

"**Class D Notes**" means the €22,020,000 Class D Deferrable Secured Floating Rate Notes due 2023 or the amount thereof for the time being Outstanding, or as the context may require, a specific number thereof and, unless expressly stated to the contrary, all references to the Class D Notes shall be a reference to such Class D Notes whether in global form or definitive form and issued pursuant to Regulation S or Rule 144A.

"**Class D Overcollateralisation Ratio**" means, as at any Measurement Date, the ratio (expressed as a percentage) obtained by dividing the Net Portfolio Collateral Balance by the aggregate principal amount of the Senior Notes, the Class B Notes, the Class C Notes and the Class D Notes Outstanding (including for the avoidance of doubt, any Class B Deferred Interest, Class C Deferred Interest and Class D Deferred Interest).

"**Class D Overcollateralisation Ratio Test**" shall be satisfied in respect of any Measurement Date falling on or after the Target Date if, on such Measurement Date, the Class D Overcollateralisation Ratio is at least 109.1 per cent.

"**Class D Regulation S Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class D Regulation S Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Regulation S, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes any replacements for Class D Regulation S Definitive Notes issued pursuant to the Conditions.

"**Class D Regulation S Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class D Regulation S Notes, substantially in the form set out in the Trust Deed.

"**Class D Regulation S Notes**" means the Class D Regulation S Global Note and the Class D Regulation S Definitive Notes.

"**Class D Rule 144A Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class D Rule 144A Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Rule 144A, substantially in the form set out in the Trust Deed or, as the context may require, a

specific number thereof and includes any replacements for Class D Rule 144A Definitive Notes issued pursuant to the Conditions.

"**Class D Rule 144A Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class D Rule 144A Notes, substantially in the form set out in the Trust Deed.

"**Class D Rule 144A Notes**" means the Class D Rule 144A Global Note and the Class D Rule 144A Definitive Notes.

"**Class E Deferred Interest**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class E Definitive Notes**" means the Class E Regulation S Definitive Notes and the Class E Rule 144A Definitive Notes.

"**Class E Further Issue Notes**" has the meaning given to it in Condition 17 (*Further Issues*).

"**Class E Global Notes**" means each of the Class E Regulation S Global Note and the Class E Rule 144A Global Note.

"**Class E Margin**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class E Note Interest Rate**" has the meaning given thereto in Condition 6 (*Interest*).

"**Class E Noteholders**" means the holders of the Class E Notes from time to time.

"**Class E Notes**" means the €10,780,000 Class E Deferrable Secured Floating Rate Notes due 2023 or the amount thereof for the time being Outstanding, or as the context may require, a specific number thereof and, unless expressly stated to the contrary, all references to the Class E Notes shall be a reference to such Class E Notes whether in global form or definitive form and issued pursuant to Regulation S or Rule 144A.

"**Class E Overcollateralisation Ratio**" means, as at any Measurement Date, the ratio (expressed as a percentage) obtained by dividing the Net Portfolio Collateral Balance by the aggregate principal amount of the Senior Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes Outstanding (including for the avoidance of doubt, the Class B Deferred Interest, the Class C Deferred Interest, the Class D Deferred Interest and the Class E Deferred Interest).

"**Class E Overcollateralisation Ratio Test**" shall be satisfied in respect of any Measurement Date falling on or after the Target Date if, on such Measurement Date, the Class E Overcollateralisation Ratio is at least 104.9 per cent.

"**Class E Regulation S Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class E Regulation S Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Regulation S, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes any replacements for Class E Regulation S Definitive Notes issued pursuant to the Conditions.

"**Class E Regulation S Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class E Regulation S Notes, substantially in the form set out in the Trust Deed.

"**Class E Regulation S Notes**" means the Class E Regulation S Global Note and the Class E Regulation S Definitive Notes.

"**Class E Rule 144A Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class E Rule 144A Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Rule 144A, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes any replacements for Class E Rule 144A Definitive Notes issued pursuant to the Conditions.

"**Class E Rule 144A Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class E Rule 144A Notes, substantially in the form set out in the Trust Deed.

"**Class E Rule 144A Notes**" means the Class E Rule 144A Global Note and the Class E Rule 144A Definitive Notes.

"**Class N Definitive Notes**" means the Class N Regulation S Definitive Notes and the Class N Rule 144A Definitive Notes.

"**Class N Further Issue Notes**" has the meaning given to it in Condition 17 (*Further Issues*).

"**Class N Global Notes**" means each of the Class N Regulation S Global Note and the Class N Rule 144A Global Note.

"**Class N Noteholders**" means the holders of the Class N Notes from time to time.

"**Class N Notes**" means the €32,800,000 Class N Subordinated Notes due 2023 or the amount thereof for the time being Outstanding, or as the context may require, a specific number thereof and, unless expressly stated to the contrary, all references to the Class N Notes shall be a reference to such Class N Notes whether in global form or definitive form and issued pursuant to Regulation S or Rule 144A.

"**Class N Regulation S Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class N Regulation S Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Regulation S, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes any replacements for Class N Regulation S Definitive Notes issued pursuant to the Conditions.

"**Class N Regulation S Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class N Regulation S Notes, substantially in the form set out in the Trust Deed.

"**Class N Regulation S Notes**" means the Class N Regulation S Global Note and the Class N Regulation S Definitive Notes.

"**Class N Rule 144A Definitive Notes**" means the registered notes in definitive form to be issued in respect of the Class N Rule 144A Notes pursuant to, and in the circumstances specified in, the Trust Deed and sold under Rule 144A, substantially in the form set out in the Trust Deed or, as the context may require, a specific number thereof and includes any replacements for the Class N Rule 144A Definitive Notes issued pursuant to the Conditions.

"**Class N Rule 144A Global Note**" means the global note to be issued by the Issuer pursuant to the Trust Deed representing the Class N Rule 144A Notes, substantially in the form set out in the Trust Deed.

"**Class N Rule 144A Notes**" means the Class N Rule 144A Global Note and the Class N Rule 144A Definitive Notes.

"**CLO Securities**" means a security that entitles the holder thereof to receive payments that depend on the cash flow from a portfolio which consists primarily of commercial or industrial bank loans or corporate loans or any combination of the above. For the avoidance of doubt, a CLO Security shall not be classified as a Structured Finance Security and shall not include any bespoke synthetic collateralised debt obligations.

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended.

"**Collateral**" means the property, assets and benefits described in Condition 4 (*Security*) which are charged and assigned to the Trustee from time to time for the benefit of the Secured Parties pursuant to the Trust Deed or the Euroclear Pledge Agreement.

"**Collateral Acquisition Agreements**" means the agreement or agreements entered into by the Issuer in relation to the purchase by the Issuer of Bank Loans, Mezzanine Loans, Second Lien Loans, CLO Securities, Special Debt Securities and Synthetic Securities and the assignment, participation or sub-

participation, as the case may be, of Bank Loans, Mezzanine Loans and Second Lien Loans on or prior to the Issue Date, together with any other agreements entered into by or on behalf of the Issuer from time to time for the acquisition of Collateral Debt Securities thereafter.

"**Collateral Debt Security**" means on and following the acquisition thereof, any Bank Loan, Mezzanine Loan, Second Lien Loan, CLO Securities, Special Debt Security or Synthetic Security including any Participation purchased or acquired by the Issuer or the Collateral Manager on behalf of the Issuer from time to time pursuant to the Collateral Management Agreement which at the time of purchase or acquisition satisfied paragraphs (a) and (b) of the Eligibility Criteria (if acquired during the Ramp-Up Period) and the Reinvestment Criteria (if acquired during the Reinvestment Period) and the Reinvestment Criteria and the Additional Reinvestment Criteria (if acquired after the Reinvestment Period) (*provided* that, solely for the purpose of the grant of any security interest to the Trustee for the benefit of the Secured Parties pursuant to the Trust Deed and the Euroclear Pledge Agreement and all the rights thereunder, Collateral Debt Securities shall mean all Bank Loans, Mezzanine Loans, Second Lien Loans, CLO Securities, Special Debt Securities, Synthetic Securities and Participations and all other securities, loans or other obligations, instruments or investments, regardless of whether such securities, loans or other obligations, instruments or investments satisfied the Eligibility Criteria, the Reinvestment Criteria or the Additional Reinvestment Criteria at the time of purchase or acquisition or at any time after their purchase or acquisition except that they shall not consist of Dutch Ineligible Securities). References to Collateral Debt Securities shall not include Eligible Investments, Collateral Enhancement Securities or Defaulted Equity Securities.

"**Collateral Enhancement Account**" means the account(s) so named of the Issuer held with the Account Bank, amounts standing to the credit of which from time to time may be applied in, *inter alia*, the acquisition of Collateral Enhancement Securities by or on behalf of the Issuer in accordance with the Collateral Management Agreement and into which the proceeds of any sale of, or Distributions in respect of, Collateral Enhancement Securities, together with certain other amounts, may be deposited from time to time.

"**Collateral Enhancement Security**" means any warrant or equity security excluding Defaulted Equity Securities but including, without limitation, warrants relating to Mezzanine Loans or Second Lien Loans and any equity security received upon conversion or exchange of, or exercise of an option under, or otherwise in respect of a Collateral Debt Security, or any warrant or equity security purchased as part of a unit with a Collateral Debt Security, in each case, the acquisition, ownership or disposition of which will not (a) result in the imposition of any present or future, actual or contingent, liabilities or obligations on the Issuer other than those which may arise at its option, or (b) subject the Issuer to tax on a net income basis; *provided* that no such Collateral Enhancement Security may be a Dutch Ineligible Security or a security or obligation that is convertible into or exchangeable for a Dutch Ineligible Security and must not constitute Margin Stock (as defined under Regulation U issued by the Board of Governors of the United States Federal Reserve System).

"**Collateral Management Fee**" means each of the Base Collateral Management Fee, the Incentive Collateral Management Fee, the Subordinated Collateral Management Fee and, if applicable, the Replacement Collateral Manager Subordinated Fee.

"**Collateral Manager Termination Amount**" means the amount, determined pursuant to the Collateral Management Agreement, payable to the Collateral Manager in respect of the termination of its services under the Collateral Management Agreement without cause (together with any applicable value added tax thereon whether payable to the Collateral Manager or directly to the relevant taxing authority).

"**Collateral Quality Tests**" has the meaning given to such term in the Collateral Administration Agreement.

"**Collateral Tax Event**" means the introduction of a new, or any change in, home jurisdiction or foreign tax statute, treaty, regulation, rule, ruling, practice, procedure or judicial decision or interpretation which results in any portion of any payment due from any issuer or obligor under any Collateral Debt Security held by or on behalf of the Issuer becoming properly subject to the imposition of home jurisdiction or foreign withholding tax which withholding tax (i) is not compensated for by a "gross-up" provision in the terms of the Collateral Debt Security and (ii) amounts, in the aggregate, to 5 per cent. or more of the aggregate interest payments on all of the Collateral Debt Securities held by or on behalf of the Issuer during the related Due Period.

"**Collection Accounts**" means the Interest Collection Account, the Principal Collection Account, the Sterling Interest Account and the Sterling Principal Account.

"**Commitment Fee**" means the commitment fee on the Class A1A Notes, calculated in accordance with the Class A1A Note Purchase Agreement and as set out in Condition 6(j) (*Class A1A Notes Facility Commitment Fee*).

"**Conditions**" means these terms and conditions.

"**Controlling Class**" means (i) the Senior Notes, (ii) following redemption and repayment in full of the Senior Notes, including the cancellation of the Total Commitments under the Class A1A Notes, the Class B Notes, (iii) following redemption and repayment in full of the Class B Notes, the Class C Notes, (iv) following redemption and repayment in full of the Class C Notes, the Class D Notes, (v) following redemption and repayment in full of the Class D Notes, the Class E Notes, (vi) following redemption and repayment in full of the Class E Notes, the Class N Notes.

"**Coverage Test**" means each of the Senior Coverage Tests, the Class B Overcollateralisation Ratio Test, the Class C Overcollateralisation Ratio Test, the Class D Overcollateralisation Ratio Test and the Class E Overcollateralisation Ratio Test.

"**Credit Improved Security**" means any Collateral Debt Security which, in the reasonable business judgment of the Collateral Manager, has significantly improved in credit quality including a Collateral Debt Security:

(a) which has been upgraded by at least one rating sub category by any Rating Agency or put on a watch list for possible upgrade by any Rating Agency; or

(b) whose obligor has significantly improved financial results; or

(c) whose obligor has raised equity capital or other capital which has improved the liquidity or credit standing of such obligor; or

(d) which has increased in price to 100.75 per cent. or more in the case of Collateral Debt Securities which are Special Debt Securities, or 100.50 per cent. or more in the case of Collateral Debt Securities which are CLO Securities or 100.50 per cent. or more in the case of Collateral Debt Securities which are Mezzanine Loans, Second Lien Loans or Bank Loans, in each case, of the original purchase price thereof;

(e) which has experienced a reduction in its credit spread of 0.25 per cent. in the case of a Special Debt Security; or

(f) which is so designated by the Collateral Manager, acting in a reasonable commercial manner,

in each case of (a) through (f) of this definition, since the date on which such Collateral Debt Security was purchased, *provided* however that if:

(i) the ratings of the Senior Notes have been reduced by one or more rating sub categories from those in existence at the Issue Date or withdrawn by any Rating Agency (other than following a redemption of the relevant Notes in full); or

(ii) the ratings of the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes have been reduced by two or more rating sub categories from those in existence at the Issue Date or withdrawn by any Rating Agency (other than following a redemption of the relevant Notes in full),

either (x) the public credit rating or confidential credit estimate of such Collateral Debt Security must have been upgraded by at least one rating sub category by such Rating Agency or put on a watch list for possible upgrade by such Rating Agency since the date of acquisition thereof or the price of such Collateral Debt Security must have increased to 100.75 per cent. or more, in the case of Collateral Debt Securities which are Mezzanine Loans, Second Lien Loans or Bank Loans, or 101.00 per cent. or more

in the case of Collateral Debt Securities which are Special Debt Securities or 100.75 per cent. or more in the case of Collateral Debt Securities which are CLO Securities, in each case, of the original purchase price thereof or (y) such Collateral Debt Security must have experienced a reduction in credit spread (1) by 0.25 per cent. or more, in the event that the original credit spread was equal to or less than 2.00 per cent., or (2) by 0.375 per cent. or more, in the event that the original credit spread was more than 2.00 per cent. but less than 4.00 per cent., or (3) by 0.5 per cent. or more, in the event that the original credit spread was 4.00 per cent. or more in each case since the date on which such Collateral Debt Security was purchased; and *provided* further that a Participation or Synthetic Security shall constitute a Credit Improved Security in the event that the Collateral Debt Security to which such Participation relates or, as the case may be, the Reference Obligation to which such Collateral Debt Security is linked would constitute a Credit Improved Security if it were itself a Collateral Debt Security.

"**Credit Risk Security**" means any Collateral Debt Security which, in the reasonable business judgment of the Collateral Manager, has a significant risk of declining in credit quality and, with a lapse of time, becoming a Defaulted Security and *provided* further that if:

(a) the ratings of the Senior Notes have been reduced by one or more rating sub categories from those in existence at the Issue Date or withdrawn by any Rating Agency (other than following a redemption of the relevant Notes in full); or

(b) the ratings of the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes have been reduced by two or more rating sub categories from those in existence at the Issue Date or withdrawn by any Rating Agency (other than following a redemption of the relevant Notes in full),

either (x) the public credit rating or confidential credit estimate of such Collateral Debt Security must have been downgraded by at least one rating sub category by such Rating Agency or put on a watch list for possible downgrade by such Rating Agency since the date of acquisition thereof or the price has decreased by 1.00 per cent. or more in the case of Collateral Debt Securities which are Special Debt Securities, and 1.00 per cent. or more in the case of Collateral Debt Securities which are CLO Securities and 1.00 per cent. or more in the case of Collateral Debt Securities which are Mezzanine Loans, Second Lien Loans or Bank Loans, in each case, of the original purchase price thereof or (y) such Collateral Debt Security must have experienced an increase in credit spread (1) by 0.25 per cent. or more, in the event that the original credit spread was equal to or less than 2.00 per cent., or (2) by 0.375 per cent. or more, in the event that the original credit spread was more than 2.00 per cent. but less than 4.00 per cent. or (3) by 0.5 per cent. or more, in the event that the original credit spread was 4.00 per cent. or more, in each case since the date on which such Collateral Debt Security was purchased or (z) in the case of any PIK Security, the issuer of, or obligor (or in the case of a Synthetic Security of which the Reference Obligation is a PIK Security, the related Reference Obligor) in respect of such PIK Security must have previously deferred and capitalised as principal any interest due thereon (except to the extent any interest so deferred and capitalised has subsequently been paid in full in cash to the Issuer (whether directly or, in the case of a Synthetic Security, indirectly)); and *provided* that a Participation or Synthetic Security shall constitute a Credit Risk Security in the event that the Collateral Debt Security to which such Participation relates or, as the case may be, Reference Obligation to which such Collateral Debt Security is linked would constitute a Credit Risk Security if it were itself a Collateral Debt Security.

"**Currency Account**" means any account which may be required to be opened by the Issuer with the Account Bank from time to time to enable payments received from Non-Euro Collateral Debt Securities which are not denominated in Euro to be paid prior to payments being made by the Issuer to the relevant Hedge Counterparty pursuant to an Asset Swap Transaction.

"**Current Pay Obligation**" means a Collateral Debt Security which would otherwise be a Defaulted Security but as to which (i) the most recent interest payment due thereon was paid in cash and the Collateral Manager reasonably expects (as determined in the reasonable business judgement of the Collateral Manager) that the next interest payment due will be paid in cash which reasonable expectation shall be evidenced in writing to the Issuer, the Collateral Administrator and the Trustee; *provided* however that the Collateral Manager shall not be liable at all in the event such interest payment is not paid in part or in full, (ii) has a S&P Rating (public or private) of at least "CCC", (iii) the Market Value of which is at least 80 per cent. of par, and (iv) if the Obligor under such Collateral Debt Security is subject to any bankruptcy proceedings, a bankruptcy court has authorised the payment of interest due and payable on such Collateral

Debt Security; *provided* always (I) that (a) a Synthetic Security may be a Current Pay Obligation if it or its Reference Obligation is a Current Pay Obligation and (b) no more than 7.5 per cent. of the Maximum Investment Amount will be comprised of Current Pay Obligations at any time and (II) that if any Current Pay Obligation is also a CCC Security then such Current Pay Obligation shall be considered as a CCC Security and not as a Current Pay Obligation.

"**Custody Account**" means the custody account or accounts established on the books of and maintained and administered outside The Netherlands by the Custodian from time to time in accordance with the provisions of the Agency Agreement, which term shall include each cash account relating to each such custody account (if any) and the Euroclear Pledged Account.

"**Defaulted Equity Security**" means any equity security delivered to the Issuer upon acceptance of an Offer in respect of a Defaulted Security, *provided* that it is not a Dutch Ineligible Security.

"**Defaulted Security**" means any Collateral Debt Security or any other security included in the Collateral:

(a) (i) with respect to which a default as to the payment of principal and/or interest has occurred and is continuing (without regard to any grace period applicable thereto or any waiver of such payment default, except if the Collateral Manager certifies in writing that the default is not for credit related reasons then a grace period of up to five business days shall apply), (ii) with respect to which any other default thereunder or under the related Underlying Instrument has occurred, which default entitles the holders thereof, with notice, the giving of any certification or the making of any determination, or the passage of time or some or all of the aforesaid, pursuant to the related Underlying Instrument to accelerate the maturity of all or a portion of the principal amount of such obligation or security or (iii) in respect of which, the Collateral Manager becomes aware (based upon publicly available information) that the Obligor thereunder is in default as to payment of principal and/or interest on another obligation (and such default has not been cured), save for obligations constituting trade debts which the applicable Obligor is disputing in good faith, but only if one of the following conditions is satisfied:

(A) both such other obligation and the Collateral Debt Security are full recourse, unsecured obligations and the other obligation is senior to, or *pari passu* with, the Collateral Debt Security in right of payment; or

(B) if the following conditions are satisfied:

(1) both such other obligation and the Collateral Debt Security are full recourse, secured obligations secured by identical collateral;

(2) the security interest securing the other obligation is senior to or *pari passu* with the security interest securing the Collateral Debt Security; and

(3) the other obligation is senior to or *pari passu* with the Collateral Debt Security in right of payment,

save that a Collateral Debt Security shall not constitute a Defaulted Security under this paragraph (a)(iii) if it is a Current Pay Obligation and in each of (a)(i), (ii) and (iii) only so long as such default has not been cured;

(b) that is a Participation in a loan or other debt security that would, if such loan or other debt security were a Collateral Debt Security, constitute a Defaulted Security under paragraph (a) above (a "**Defaulted Participation Security**");

(c) that is a Participation (other than a Secured Participation) in a loan or in a security (other than a Defaulted Participation Security) with respect to which the Selling Institution has defaulted in the performance of any of its payment obligations under the related Participation;

(d) that is a Synthetic Security referencing a Reference Obligation with respect to which an event or circumstance specified with respect to such Synthetic Security has occurred and is continuing and such event or circumstance is, or with the passage or lapse of time or both will be the basis for a reduction in the principal amount payable under such Synthetic Security and the documentation for such Synthetic

Security provides that the reduction in the principal amount payable is permanent (a "**Defaulted Synthetic Security**");

(e) that is a Synthetic Security (other than a Defaulted Synthetic Security) with respect to which the Synthetic Security Obligor has defaulted in the performance of any of its payment obligations under the Synthetic Security;

(f) the issuer of which Collateral Debt Security is the subject of a bankruptcy, insolvency, receivership or other analogous proceeding and the Collateral Manager has knowledge of such proceedings from public or other sources of information normally available to it. The Collateral Manager shall be responsible for obtaining, to the extent reasonably practicable from public sources of information normally available to it, knowledge of such proceedings;

(g) that is rated "D" by Fitch or "SD" by S&P;

(h) the issuer generally makes a binding offer to holders of such Collateral Debt Security of a new security or package of securities that, in the reasonable commercial judgement of the Collateral Manager, amounts to a diminished financial obligation (such as preferred or common shares or a debt with a lower coupon or par amount) of such issuer and in the reasonable business judgement of the Collateral Manager, such offer has the apparent purpose of helping such issuer avoid a default pursuant to the Underlying Instrument of such Collateral Debt Security; *provided* that a Collateral Debt Security shall not constitute a Defaulted Security under this paragraph (h) if (i) it has been acquired in a distressed exchange and meets the definition of Collateral Debt Security; or (ii) in the Collateral Manager's reasonable business judgement, the Collateral Manager believes that the issuer of such Collateral Debt Security will pay its interest obligation in full on the next scheduled payment date in which case such Collateral Debt Security shall be treated as a Current Pay Obligation; or

(i) that is a CLO Security, whose overcollateralisation ratio or the overcollateralisation ratio (calculated in accordance with the terms of such CLO Security) of any class of securities which is senior to or *pari passu* with such CLO Security on the same transaction is less than 100 per cent.

Notwithstanding the foregoing definition, the Collateral Manager may declare any Collateral Debt Security to be a Defaulted Security if, in the Collateral Manager's reasonable business judgement, the credit quality of the Obligor of such Collateral Debt Security (or, in the case of a Synthetic Security, the credit quality of the Reference Obligor of the Reference Obligation with respect thereto) has significantly deteriorated such that the Collateral Manager has a reasonable expectation of payment default as of the next scheduled payment date with respect to such Collateral Debt Security.

"**Definitive Note**" means any of the Class A1A Definitive Notes, Class A1B Definitive Notes, Class A2 Definitive Notes, Class B Definitive Notes, Class C Definitive Notes, Class D Definitive Notes, Class E Definitive Notes and Class N Definitive Notes.

"**Deferred Interest Amounts**" means any or all of the Class B Deferred Interest, the Class C Deferred Interest, the Class D Deferred Interest and the Class E Deferred Interest.

"**Determination Date**" means the last Business Day of each Due Period.

"**Discount Collateral Debt Security**" means any Collateral Debt Security (other than a Synthetic Security) or any Synthetic Security the Reference Obligation under which had, at the time of acquisition, a purchase price of less than 80 per cent. of the principal amount for a loan and less than 75 per cent. of the principal amount for a bond; *provided* that such Collateral Debt Security or Synthetic Security (as the case may be) shall cease to be a Discount Collateral Debt Security where the Market Value (determined on a monthly basis) thereof for any period of 30 consecutive Business Days equals or exceeds 90 per cent. for a loan and 85 per cent. for a bond of the principal amount of such Collateral Debt Security, and *provided* further that:

(i) if any Collateral Debt Security falls within the definition of both a "**Discount Collateral Debt Security**" and a "**CCC Security**", such Collateral Debt Security shall be classified as a CCC Security;

(ii) if any Collateral Debt Security falls within the definition of both a "**Discount Collateral Debt Security**" and a "**Current Pay Obligation**", such Collateral Debt Security shall be classified as a Current Pay Obligation unless the Collateral Manager in its reasonable business judgement (which shall not be called into question as a result of subsequent events) determines otherwise.

"**Distribution**" means any payment of principal or interest or any dividend or premium or other amount or asset paid or delivered on or in respect of any Collateral Debt Security, any Eligible Investment, any Collateral Enhancement Security or any Defaulted Equity Security.

"**Drawing**" means the principal amount of each advance made, from time to time, by the Class A1A Noteholders pursuant to the Class A1A Note Purchase Agreement to the Issuer which amount will not be less than the relevant Minimum Denomination or (as the context requires) the principal amount thereof for the time being outstanding.

"**Due Date**" means each date on which a Distribution is due and payable.

"**Due Period**" means, with respect to any Payment Date, the period commencing on the day immediately following the eighth Business Day prior to the preceding Payment Date (or on the Issue Date in the case of the Due Period relating to the first Payment Date) and ending on the eighth Business Day prior to such Payment Date (or, in the case of the Due Period applicable to the Maturity Date or a Redemption Date, ending on the day preceding such Payment Date).

"**Dutch Ineligible Securities**" means any and all:

(a) securities or interests in securities which are bearer instruments (*effecten aan toonder*) physically located in The Netherlands or registered shares (*aandelen op naam*) in a Netherlands corporate entity where the Issuer owns such bearer instruments or registered shares directly and in its own name; or

(b) securities or interests in securities the purchase or acquisition of which by or on behalf of the Issuer would cause the breach of applicable selling or transfer restrictions or of applicable Dutch laws relating to the offering of securities or of collective investment schemes; or

(c) obligations or instruments which are convertible into or exchangeable for the securities referred to in (a) above.

"**Eastern Europe**" means countries in Europe other than Austria, Belgium, Denmark, Finland, France, Germany, Republic of Ireland, Italy, Luxembourg, Liechtenstein, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom (including the Channel Islands and the Isle of Man) and any other EU Member State rated "A-" or above by Fitch and "AA" or above by S&P as at the Issue Date and otherwise subject to Rating Agency Confirmation.

"**Eligibility Criteria**" has the meaning given thereto in the Collateral Management Agreement.

"**Eligible Floating Rate Note**" means a Senior Secured Loan documented in note form and for which Rating Agency Confirmation has been given to the Collateral Manager that such Senior Secured Loan may be treated as a Senior Secured Loan.

"**Eligible Investments**" means:

(a) government securities of any government which is rated "AAA" and "AAA" or "F1+" and "A-1+" by Fitch and S&P respectively; and

(b) demand or time deposits, certificates of deposit and short term debt obligations (including commercial paper);

provided that in all cases such investments (x) are not Dutch Ineligible Securities and (y) have a maturity date of no later than the last Business Day of the Due Period following the date of acquisition of such investment and the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being a licensed EU

credit institution) are rated "F1+" and "A-1+" by Fitch and S&P respectively or are otherwise acceptable to the Rating Agencies and, in either case, denominated in the same currency as the cash which is used to purchase the relevant Eligible Investment and (z) are investments (A) that are treated as indebtedness for U.S. federal income tax purposes and are not United States real property interests as defined under Section 897 of the Code, or the Issuer has received advice or an opinion of a nationally recognised U.S. tax counsel experienced in such matters to the effect that the ownership, enforcement or disposition of which will not cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. federal income tax purposes, or otherwise subject the Issuer to U.S. federal income tax on a net income tax basis, (B) that are acquired, and held in a manner that does not violate the investment restrictions set forth in the Collateral Management Agreement, (C) that shall not be subject to deduction or withholding for or on account of any withholding or similar tax unless the payor is required to make "gross up" payments that ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding been required, and (D) the payment of interest on such Eligible Investment will not be subject to any deduction or withholding for or on account of United Kingdom tax.

"**Emerging Market Issuer**" means (i) a sovereign or non-sovereign issuer located in a country that is in Latin America, Asia, Africa, Eastern Europe or the Caribbean, other than an issuer located in Japan or Singapore, or an issuer of a CLO Security that is a special purpose vehicle organised under the laws of the Cayman Islands, Jersey, Guernsey, Bermuda or The Netherlands Antilles; or (ii) a sovereign or non-sovereign issuer located in a country that is rated below "A-" by Fitch and below "AA" by S&P (other than Greece, Italy or any other country consented to by the Rating Agencies).

"**Enforcement Notice**" has the meaning ascribed thereto in Condition 11(c) (*Acceleration*).

"**Equity Kicker**" means any equity security or any other security that is not eligible for purchase by the Issuer but is received with respect to a Collateral Debt Security or purchased as part of a "unit" with a Collateral Debt Security.

"**Equity Security**" means any (a) Equity Kicker, (b) Defaulted Equity Security and (c) other equity security that does not entitle the holder thereof to receive periodic payments of interest and one or more instalments of principal, including those received by the Issuer as a result of the exercise or conversion of an Equity Kicker or other convertible or exchangeable Collateral Debt Security, *provided* that it is not a Dutch Ineligible Security.

"**ERISA**" means the U.S. Employee Retirement Income Security Act of 1974, as amended.

"**EURIBOR**" means the Euro zone Interbank Offered Rate.

"**Euroclear Pledged Account**" means the pledged account held by the Custodian in Euroclear in which the securities which are the subject of a commercial pledge pursuant to the Euroclear Pledge Agreement are held.

"**Euro Collateral Debt Security**" means a Collateral Debt Security denominated in Euro and, for the purposes of the Eligibility Criteria, the Reinvestment Criteria, the Additional Reinvestment Criteria, the Coverage Tests, the Reinvestment OC Test and the Collateral Quality Tests, if not specified otherwise, "**Euro Collateral Debt Security**" shall include a reference to any Non-Euro Collateral Debt Security.

"**Euro Drawings**" has the meaning ascribed thereto in the Class A1A Note Purchase Agreement.

"**Euro Expense Account**" means the Euro account so named of the Issuer held with the Account Bank, amounts standing to the credit of which may be used to fund certain expenses arising between Payment Dates.

"**Euro Interest Proceeds**" means with respect to any Due Period (without duplication) the sum of:

(a) all payments of interest received in cash by the Issuer during the related Due Period on the Euro Collateral Debt Securities and Euro denominated Eligible Investments purchased by the Issuer (other than interest accrued on Euro Collateral Debt Securities purchased by the Issuer to the date of

acquisition thereof by the Issuer and purchased with Euro Principal Proceeds, Uninvested Proceeds or with amounts drawn under the Class A1A Notes);

(b) all accrued interest received in cash by the Issuer during the related Due Period with respect to Euro Collateral Debt Securities realised by the Issuer (other than (i) interest accrued on Euro Collateral Debt Securities to the date of acquisition thereof by the Issuer and purchased with Euro Principal Proceeds, Uninvested Proceeds or with amounts drawn under the Class A1A Notes and any Relevant Amount denominated in Euro in respect of such realisation and (ii) interest accrued on a PIK Security denominated in Euro to the date of acquisition thereof by the Issuer and purchased with Euro Principal Proceeds, Uninvested Proceeds or with amounts drawn under the Class A1A Notes);

(c) (i) all payments of principal in Euro received in cash by the Issuer during the related Due Period on Eligible Investments to the extent such Eligible Investments were acquired with Euro Interest Proceeds; and (ii) all amounts representing the element of deferred interest in any payment received in respect of any Mezzanine Loan or Second Lien Loan denominated in Euro which is not a Defaulted Security and which by its contractual terms provides for the deferral of interest;

(d) (i) all amounts in Euro, if any, paid to the Issuer by any Hedge Counterparty (other than any Hedge Termination Receipts) under any Hedge Transaction (other than under an Asset Swap Transaction) in such Due Period and all amounts payable to the Issuer by any Hedge Counterparty (other than any Hedge Termination Receipts) under any Hedge Transaction (other than under an Asset Swap Transaction) on the Payment Date immediately following such Due Period and (ii) all amounts in Euro, if any, paid to the Issuer by any Hedge Counterparty (other than any Hedge Termination Receipts) under any Asset Swap Transaction in such Due Period which corresponds to amounts described in this definition of "**Euro Interest Proceeds**" received from any Non-Euro Collateral Debt Securities the subject of such Asset Swap Transaction and all amounts payable to the Issuer by any Hedge Counterparty (other than Hedge Termination Receipts) under any Asset Swap Transaction on the Payment Date immediately following such Due Period which corresponds to amounts described in this definition of "**Euro Interest Proceeds**" received from any Non-Euro Collateral Debt Securities the subject of such Asset Swap Transaction;

(e) all amounts in Euro of all amendment and waiver fees, all late payment fees, syndication fees and all other fees and commissions received in cash by the Issuer during the related Due Period in connection with the Euro Collateral Debt Securities purchased by the Issuer and Eligible Investments denominated in Euro;

(f) the amount standing to the credit of the Euro Expense Account on the last Business Day of the Due Period ending immediately prior to the Redemption Date or Maturity Date;

(g) all amounts, if any, paid to the Issuer in Euro by any Securities Lending Counterparty under any Securities Lending Agreement in such Due Period, including any scheduled interest payments on Securities Lending Collateral after the occurrence of an event of default under the related Securities Lending Agreement; and

(h) any other amount in Euros whether in the nature of profits, Trading Gains or otherwise which is designated as Euro Interest Proceeds by the Collateral Manager; *provided* that the Collateral Manager may not designate Trading Gains as Euro Interest Proceeds unless the sum of (i) the aggregate Principal Balance of all Collateral Debt Securities and (ii) the aggregate principal balance standing to the credit of the Principal Collection Account, the Initial Proceeds Account, the Additional Collateral Account and the Euro Principal Reserve Account, is equal to or greater than the Target Par Amount, in each case both immediately prior to and after giving effect to the reinvestment of the applicable proceeds that gave rise to such Trading Gains;

but excluding (i) all Sterling Interest Proceeds and (ii) any amounts recovered and any Distributions received in cash by the Issuer in respect of any Defaulted Securities denominated in Euro following such Euro Collateral Debt Security becoming a Defaulted Security other than where the aggregate amount of such recoveries or, as the case may be, such Distributions received in respect of such Defaulted Security exceeds the principal balance of the Euro Collateral Debt Security immediately prior to the time it became a Defaulted Security; and (iii) in respect of any scheduled interest payments described in paragraph (g) above in respect of a loaned Collateral Debt Security as to which an event of default under the related Securities

Lending Agreement has occurred and is continuing; *provided* that in no event shall Euro Interest Proceeds include the €20,000 of capital contributed to the Issuer by the owners of the Issuer's ordinary shares in accordance with the Issuer's Articles of Incorporation. Any determination of the aggregate amount of Euro Interest Proceeds with respect to any day during a Due Period will include all Euro Interest Proceeds received by the Issuer from and including the first day of the related Due Period to and including such date of determination and amounts of Euro Interest Proceeds in respect of a Due Period shall be determined so that amounts already included or included in respect of a prior Due Period are not included more than once.

"**Euro Liquidity Payment Account**" means the interest bearing account denominated in Euro so named of the Issuer held with the Account Bank established as required pursuant to the terms of the Liquidity Facility Agreement.

"**Euro Payment Account**" means the account so named of the Issuer held with the Account Bank (a) into which amounts denominated in Euro shall be transferred by the Collateral Administrator on the Business Day prior to each Payment Date out of (to the extent applicable) the other relevant Accounts; and (b) out of which the amounts denominated in Euro is required to be paid on each Payment Date, each as *provided* pursuant to the Priorities of Payment, shall be paid.

"**Euro Principal Proceeds**" means, with respect to any Due Period, the sum (without duplication) of:

(a) all payments of principal (including prepayments) received in cash by the Issuer during the related Due Period on the Euro Collateral Debt Securities purchased by the Issuer and any Euro denominated Eligible Investments (other than (i) Uninvested Proceeds (ii) the amounts referred to in paragraph (c) of the definition of Euro Interest Proceeds and (iii) Trading Gains designated as Euro Interest Proceeds by the Collateral Manager);

(b) all payments of interest received in cash by the Issuer during the related Due Period on the Euro Collateral Debt Securities purchased by the Issuer and any Euro denominated Eligible Investments to the extent such payments constitute proceeds from accrued interest purchased with Euro Principal Proceeds, Uninvested Proceeds or with amounts drawn under the Class A1A Notes;

(c) with respect to the Due Period during which the last day of the Reinvestment Period occurs, any Uninvested Proceeds on deposit in the Principal Collection Account or invested in Euro denominated Eligible Investments on the last day of the Reinvestment Period;

(d) all disposal proceeds received by the Issuer during the related Due Period in respect of Euro Collateral Debt Securities purchased by the Issuer, including without limitation amounts received in respect of original issue or market discount, but excluding accrued interest constituting "**Euro Interest Proceeds**" under paragraphs (a) or (b) of the definition of "**Euro Interest Proceeds**" and excluding fees and commissions of the type referred to in paragraph (e) below;

(e) all facility or other up front fees or other similar fees payable to the Issuer in relation to a Euro Collateral Debt Security (save for those set out in paragraph (k) below and under paragraph (e) of the definition of "**Euro Interest Proceeds**");

(f) all call, redemption and prepayment premiums received in cash by the Issuer during such Due Period on the Euro Collateral Debt Securities purchased by the Issuer and any Euro denominated Eligible Investments;

(g) Uninvested Proceeds outstanding on the last Business Day of the Due Period, ending immediately prior to the Payment Date falling after the Target Date if a Target Date Rating Downgrade has occurred and is continuing;

(h) all interest accrued received in cash realised by the Issuer on any Euro Collateral Debt Security to the date of acquisition thereof by the Issuer and purchased with Euro Principal Proceeds, Uninvested Proceeds or with amounts drawn under the Class A1A Notes;

(i) any other amounts received in Euro (including, without limitation, recovery receipts) by the Issuer during the relevant Due Period which are not included in the definition of "**Euro Interest Proceeds**" and, in the case of the issue of any Class A1B Refinancing Notes or Further Issue Notes issued on or

prior to the Payment Date immediately following such relevant Due Period, the net proceeds of issue thereof;

(j) any scheduled principal payments denominated in Euro in respect of Securities Lending Collateral after the occurrence of an event of default under the related Securities Lending Agreement, but excluding any scheduled principal payments in respect of a loaned Euro Collateral Debt Security as to which an event of default under the related Securities Lending Agreement has occurred and is continuing;

(k) all fees or commissions, or other compensation received in cash, in connection with a workout or restructuring of any Euro denominated Defaulted Security;

(l) any other amounts (including any proceeds from the termination of any Hedge Agreement net of the costs of entering into a Replacement Hedge Agreement) received by the Issuer in Euro during the related Due Period which are not included in the definition of "**Euro Interest Proceeds**" including for the avoidance of doubt, all amounts payable to the Issuer by any Hedge Counterparty under any Asset Swap Transaction during the related Due Period which corresponds to amounts described in this definition of "**Euro Principal Proceeds**" received from any Non-Euro Collateral Debt Securities the subject of such Asset Swap Transaction; and

(m) the amount standing to the credit of all Accounts other than the Euro Expense Account and the Sterling Accounts on the last Business Day of the Due Period ending immediately prior to the Redemption Date or Maturity Date;

provided that (i) in no event shall Euro Principal Proceeds include Sterling Principal Proceeds, (ii) in no event shall Euro Principal Proceeds include any amounts standing to the credit of the Issuer Dutch Account, (iii) prior to enforcement of the security over the Collateral in accordance with Condition 11 (*Enforcement*), in no event shall Euro Principal Proceeds include any Sale Proceeds denominated in Euro in respect of any Collateral Enhancement Security which shall instead be credited to the Collateral Enhancement Account and (iv) all Distributions received in cash by the Issuer in respect of any Defaulted Security denominated in Euro following such Euro Collateral Debt Security becoming a Defaulted Security shall be deemed to be payments of principal except to the extent that the aggregate amount of such Distributions received in cash in respect of such Defaulted Security exceeds the principal balance of the Euro Collateral Debt Security immediately prior to the time it became a Defaulted Security so long as it continues to be a Defaulted Security after the receipt of such Distributions, and (v) all Distributions received in Euro in cash by the Issuer in respect of an obligation pursuant to which future payments may be required to be made to a counterparty shall instead be credited to the Additional Collateral Account. Any determination of the aggregate amount of Euro Principal Proceeds with respect to any day during a Due Period will include all Euro Principal Proceeds received by the Issuer from and including the first day of the related Due Period to and including such date of determination and the amount of Euro Principal Proceeds in respect of a Due Period shall be determined so that amounts already included or included in respect of a prior Due Period are not included more than once.

"**Euro Principal Reserve Account**" means the Euro account so named of the Issuer held with the Account Bank, in which amounts of Euro Principal Proceeds or Euro Interest Proceeds may from time to time be deposited and disbursed in accordance with the Priorities of Payment.

"**Euro Unscheduled Principal Proceeds**" means, with respect to any Euro Collateral Debt Security purchased by the Issuer, Euro principal repayments prior to the Stated Maturity thereof received as a result of optional redemptions, prepayments above scheduled amortisations or Offers and Distributions denominated in Euro and amounts received upon the liquidation of any Synthetic Security Collateral in the event that the Synthetic Security or the Synthetic Security Obligor's security interest was subject to an early termination other than by the Issuer or the Collateral Manager on its behalf (including for the avoidance of doubt, with respect to any Non-Euro Collateral Debt Securities, any amounts which would have been attributable to Euro Unscheduled Proceeds (if denominated in Euro) and received in Euro pursuant to an Asset Swap Transaction).

"**Euro zone**" has the meaning given thereto in Condition 6 (*Interest*).

"**Event of Default Net Portfolio Collateral Balance**" means, on any Measurement Date, an amount equal to the sum of:

(a) the aggregate principal balance of the Collateral Debt Securities;

(b) the aggregate principal balance standing to the credit of the Principal Collection Account, the Initial Proceeds Account, the Additional Collateral Account and the Euro Principal Reserve Account;

(c) the aggregate principal balance standing to the credit of the Sterling Principal Account and the Sterling Additional Collateral Account converted into Euro at the Spot Rate; and

(d) the aggregate of the principal balance of all Eligible Investments purchased by the Issuer with the Principal Proceeds or Uninvested Proceeds.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**Extraordinary Resolution**" means, in relation to any Class of Noteholders, a resolution passed at a meeting of such Class of Noteholders duly convened and held in accordance with the Trust Deed by a majority of the votes cast.

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

"**Fitch Rating**" has the meaning given to it in the Collateral Administration Agreement.

"**Form-Approved Hedge**" means any Asset Swap Transaction or any other Hedge Transaction in the form of a Hedge Agreement, the subject of a previous Rating Agency Confirmation save for:

(a) the amount and timing of initial and/or periodic payments, the notional amount, the effective date and/or the termination date;

(b) the identity of the Hedge Counterparty; and

(c) other inconsequential and immaterial changes which have been previously notified to the Rating Agencies in writing,

and "**Form-Approved Hedges**" means any of them.

"**Further Issue Notes**" has the meaning ascribed thereto in Condition 17 (*Further Issues*).

"**GBP-LIBOR-BBA**" means the rate which appears on display page 3750 on Telerate Rate Monitor (or such other page as may replace that page on that service), or such other service as may be nominated as the information vendor, for the purposes of displaying rates for deposits in Sterling.

"**Global Note**" means any of the Class A1B Global Notes, the Class A2 Global Notes, the Class B Global Notes, the Class C Global Notes, the Class D Global Notes, the Class E Global Notes and the Class N Global Notes.

"**Hedge Agreement**" means each 1992 ISDA Master Agreement (Multicurrency Cross Border), together with the schedules, confirmations and any annexes relating thereto, entered into between the Issuer and a Hedge Counterparty from time to time evidencing one or more Hedge Transactions, the subject of a Rating Agency Confirmation or where Rating Agency Confirmation is not obtained, is a Form-Approved Hedge, as amended, supplemented or replaced from time to time and including any guarantee thereof and any credit support document entered into pursuant to the terms thereof and including any Replacement Hedge Agreement entered into in replacement thereof, and "**Hedge Agreements**" means, as the context may require, any or all of them and, for the avoidance of doubt, includes the Initial Hedge Agreement and any guarantee or credit support annexes provided pursuant to the Initial Hedge Agreement.

"**Hedge Counterparty**" means each financial institution which meets with the Rating Requirement and which has, as a matter of Dutch law, the regulatory capacity to enter into derivatives transactions with Dutch residents with which the Issuer enters into a Hedge Agreement the subject of a Rating Agency Confirmation or where Rating Agency Confirmation is not obtained, is a Form-Approved Hedge or, upon any termination of any Hedge Agreement with such counterparty and replacement thereof by the Collateral

Manager acting on behalf of the Issuer in accordance with the provisions of the Collateral Management Agreement, any financial institution which meets with the Rating Requirement or if it does not meet with the Rating Requirement, is the subject of Rating Agency Confirmation or, in each case, any permitted assignee or successor approved under any Hedge Agreement and "**Hedge Counterparty**" means, as the context may require, any or all of them and for the avoidance of doubt, includes the Initial Hedge Counterparty.

"**Hedge Payment Amount**" means, with respect to any date of determination, (i) any scheduled amounts then payable by the Issuer to a Hedge Counterparty under any Hedge Agreement from time to time, and (ii) any amount payable by the Issuer to a Hedge Counterparty upon termination of any Hedge Agreement in whole other than any Subordinated Hedge Termination Payment.

"**Hedge Replacement Receipt**" means any amount payable to the Issuer by a Hedge Counterparty upon entry into a Replacement Hedge Agreement which replaces a Hedge Agreement which was terminated following the occurrence of an "**Event of Default**" or "**Termination Event**" (each as defined in the relevant Hedge Agreement) under which the Hedge Counterparty was the sole "**Defaulting Party**" or an "**Affected Party**" (each such term as defined in such Hedge Agreement).

"**Hedge Termination Receipt**" means any amount payable by a Hedge Counterparty to the Issuer upon termination of a Hedge Agreement in whole following the occurrence of an "**Event of Default**" (as defined in such Hedge Agreement) or "**Termination Event**" (as defined in such Hedge Agreement) thereunder under which the Hedge Counterparty was the "**Defaulting Party**" or the "**Affected Party**" (each such term as defined in such Hedge Agreement).

"**Hedge Transaction**" means a transaction (including any Asset Swap Transaction and the Initial Hedge Transaction) entered into under a Hedge Agreement.

"**Incentive Collateral Management Fee**" means (i) the fee payable to the Collateral Manager pursuant to the Collateral Management Agreement calculated in accordance with Condition 3(c)(i)(JJ) (*Priorities of Payment—Application of Interest Proceeds on Payment Dates*) and Condition 3(c)(iii)(AA) (*Priorities of Payment—Application of Principal Proceeds on Payment Dates*) and (ii) any value added tax in respect thereof (whether payable to the Collateral Manager or directly to the relevant taxing authority).

"**Incentive Management Fee Hurdle Rate**" means an Internal Rate of Return with respect to the Class N Notes of 12 per cent.

"**Initial Hedge Agreement**" means the Hedge Agreement documenting the Initial Hedge Transactions entered into between the Issuer and the Initial Hedge Counterparty on the Issue Date.

"**Initial Hedge Transactions**" means the Sterling call options entered into between the Issuer and the Initial Hedge Counterparty on the Issue Date.

"**Initial Proceeds Account**" means Euro account so named of the Issuer held with the Account Bank into which the net proceeds of issue of the Notes shall be paid on the Issue Date.

"**Initial Purchaser**" means Dresdner Bank AG London Branch.

"**Initial Reinvestment OC Ratio**" means, as at any Measurement Date, 108.1 per cent.

"**Interest Accrual Period**" means each successive period from and including one Payment Date (or, in the case of the first Interest Accrual Period, the Issue Date) and ending on but excluding the next succeeding Payment Date (or, in the case of the last Interest Accrual Period, ending on the Redemption Date or the Maturity Date).

"**Interest Amount**" means in respect of a Class of Notes, on each Payment Date, the amount of interest payable in respect of the principal amount of the Notes of such Class and, where applicable, interest payable in respect of the Class A1A Notes for any Interest Accrual Period being:

(a) in the case of the Senior Notes, (i) in the case of the Class A1A Notes, the Class A1A Aggregate Interest Amount, and (ii) in the case of the Class A1B Notes and the Class A2 Notes, the amount

calculated by the Collateral Administrator on the relevant Determination Date in accordance with Condition 6(e)(ii) (*Determination of Floating Rate of Interest and Calculation of Interest Amount*);

(b) in the case of the Class B Notes, Class C Notes, Class D Notes and Class E Notes, the amount calculated by the Collateral Administrator on the relevant Determination Date in accordance with Condition 6(e)(ii) (*Determination of Floating Rate of Interest and Calculation of Interest Amount*); and

(c) in the case of the Class N Notes the amount calculated as provided in Condition 6(f) (*Interest on the Class N Notes*).

"**Interest Collection Account**" means the Euro account so named of the Issuer held with the Account Bank into which Euro Interest Proceeds are to be paid.

"**Interest Coverage Amount**" means, on any particular Measurement Date, the sum of:

(a) the amount standing to the credit of the Interest Collection Account and the Sterling Interest Collection Account (without double counting with items in paragraphs (b) and (c) below);

plus

(b) the scheduled interest payments due (in each case regardless of whether the applicable Due Date has yet occurred) (determined assuming that EURIBOR (or such other rate basis applicable to the relevant Collateral Debt Security, Participation, Account or Eligible Investment denominated in Euro) remains constant throughout such period) in the Due Period in which such Measurement Date occurs on:

(i) the Euro Collateral Debt Securities and any Euro denominated Participations excluding (A) accrued and unpaid interest on Euro denominated Non-Performing Securities and (B) interest on any Euro Collateral Debt Security or Euro denominated Participation to the extent that such Euro Collateral Debt Security or Euro denominated Participation does not provide for the scheduled payment of interest in cash, and (C) any amounts in Euro expected to be withheld at source or otherwise deducted in respect of taxes;

(ii) the Accounts (other than the Sterling Accounts);

(iii) Eligible Investments denominated in Euro; and

(iv) Euro denominated Securities Lending Collateral after the occurrence of an event of default under the related Securities Lending Agreement;

but excluding:

(A) any scheduled interest payments described in paragraphs (i), (ii) or (iii) above as to which the Issuer or the Collateral Manager has actual knowledge that such payment will not be made;

(B) any scheduled interest payments described in paragraph (iv) above in respect of a loaned Euro Collateral Debt Security as to which an event of default under the related Securities Lending Agreement has occurred and is continuing;

(C) accrued and unpaid interest on Defaulted Securities denominated in Euro;

(D) interest accrued on any Euro Collateral Debt Securities or Euro denominated Participations to the date of acquisition thereof by the Issuer and purchased with Euro Principal Proceeds, Uninvested Proceeds or with amounts drawn under the Class A1A Note Purchase Agreement including for the avoidance of doubt, the amounts referred to in paragraphs (b) and (h) of the definition of Euro Principal Proceeds; and

(E) in the case of PIK Securities denominated in Euro, the amount of any payments that the Issuer or the Collateral Manager has actual knowledge will not be made in cash,

including for the avoidance of doubt, any interest in respect of a PIK Security which pursuant to its terms has been deferred and/or capitalised;

plus

(c) the scheduled interest payments due (in each case regardless of whether the applicable Due Date has yet occurred) (determined assuming that LIBOR (or such other rate basis applicable to the relevant Collateral Debt Security, Participation, Account or Eligible Investment denominated in Sterling) remains constant throughout such period) and as required, converted into Euro at the Spot Rate in the Due Period in which such Measurement Date occurs on:

(i) the Sterling Collateral Debt Securities and any Sterling denominated Participations excluding (A) accrued and unpaid interest on Sterling denominated Non-Performing Securities and (B) interest on any Sterling Collateral Debt Security or Sterling denominated Participation to the extent that such Sterling Collateral Debt Security or Sterling denominated Participation does not provide for the scheduled payment of interest in cash, and (C) any amounts in Sterling expected to be withheld at source or otherwise deducted in respect of taxes;

(ii) the Sterling Accounts;

(iii) Eligible Investments denominated in Sterling; and

(iv) Sterling denominated Securities Lending Collateral after the occurrence of an event of default under the related Securities Lending Agreement;

but excluding:

(A) any scheduled interest payments described in paragraphs (i), (ii) or (iii) above as to which the Issuer or the Collateral Manager has actual knowledge that such payment will not be made;

(B) any scheduled interest payments described in paragraph (iv) above in respect of a loaned Sterling Collateral Debt Security as to which an event of default under the related Securities Lending Agreement has occurred and is continuing;

(C) accrued and unpaid interest on Defaulted Securities denominated in Sterling;

(D) interest accrued on any Sterling Collateral Debt Securities or Sterling denominated Participations to the date of acquisition thereof by the Issuer and purchased with Sterling Principal Proceeds or with amounts drawn under the Class A1A Note Purchase Agreement including for the avoidance of doubt, the amounts referred to in paragraphs (b) and (h) of the definition of Sterling Principal Proceeds; and

(E) in the case of PIK Securities denominated in Sterling, the amount of any payments that the Issuer or the Collateral Manager has actual knowledge will not be made in cash, including for the avoidance of doubt, any interest in respect of a PIK Security which pursuant to its terms has been deferred and/or capitalised;

minus

(d) the amounts payable pursuant to Condition 3(c)(i)(A) to (E) (inclusive) on the following Payment Date;

(e) the amounts scheduled to be paid by the Issuer to a Hedge Counterparty under the Hedge Transactions (other than pursuant to an Asset Swap Transaction) on or before the following Payment Date (other than any Hedge Termination Payment), if any;

(f) the amounts scheduled to be paid by the Issuer to a Hedge Counterparty under any Asset Swap Transactions on or before the following Payment Date (other than any Hedge Termination Payment) which corresponds to those amounts described in paragraph (b) of this definition received by the Issuer pursuant to a Non-Euro Collateral Debt Security; and

(g) (until such time as (1) the Issuer has submitted any forms to ensure that it receives interest on a Collateral Debt Security free of withholding tax and has received confirmation from the relevant tax authority that interest may be paid to it free of withholding tax or (2) the Issuer reasonably believes that no such tax is payable), the amount which would be withheld in respect of such interest prior to the receipt of such confirmation;

plus

(h) the amounts received by the Issuer from a Hedge Counterparty pursuant to any Hedge Transaction (other than an Asset Swap Transaction) in respect of the relevant Due Period (other than any Hedge Termination Receipt and amounts received from the Initial Hedge Counterparty pursuant to the Initial Hedge Agreement), if any; and

(i) the amounts received by the Issuer from a Hedge Counterparty pursuant to an Asset Swap Transaction which corresponds to those amounts described in paragraph (f) of this definition with respect to a Non-Euro Collateral Debt Security (and which excludes for the avoidance of doubt, any Hedge Termination Receipt).

"**Interest Determination Date**" has the meaning given to it in Condition 6(e)(i) (*Rate of Interest*).

"**Interest Proceeds**" means the Euro Interest Proceeds and the Sterling Interest Proceeds.

"**Internal Rate of Return**" has the meaning given to it in Condition 3 (*Status*).

"**Investec**" means Investec Principal Finance, a business unit division of Investec Bank (UK) Ltd.

"**Issue Date**" means 5 July 2007.

"**Issue Date Spot Rate**" means the following exchange rate for exchanging respectively, Sterling for Euro, and Euro for Sterling: Euro 1.0 = Sterling 0.6748, rounded to four decimal places.

"**Issuer**" means Gresham Capital CLO IV B.V.

"**Issuer Dutch Account**" means the account in the name of the Issuer with Fortis Bank Nederland N.V.

"**Issuer Event of Default**" means each of the events defined as such in Condition 10(a) (*Events of Default*).

"**LIBOR**" means the London Interbank Offered Rate.

"**Liquidity Drawing**" means a loan made or to be made under the Liquidity Facility or deemed to be made under the Liquidity Facility Agreement in a minimum amount of €50,000 (or the Sterling equivalent thereof at the Issue Date Spot Rate).

"**Liquidity Facility**" means the liquidity facility granted by the Liquidity Facility Provider to the Issuer pursuant to the Liquidity Facility Agreement.

"**Liquidity Limit**" means the maximum amount allowed to be drawn by the Issuer on a Payment Date pursuant to the terms of the Liquidity Facility Agreement.

"**Liquidity Payment**" means all amounts due and payable by the Issuer to the Liquidity Facility Provider under the Liquidity Facility Agreement.

"**Liquidity Payment Account**" means each of the Euro Liquidity Payment Account and the Sterling Liquidity Payment Account and "**Liquidity Payment Accounts**" means both of them.

"**Long Dated Securities**" means any Collateral Debt Security with a maturity later than the Maturity Date; *provided* that, if a Collateral Debt Security has Distributions that would constitute Principal Proceeds that are scheduled to occur both before and after the Maturity Date, such Collateral Debt Security shall, for the purpose of determining the Net Portfolio Collateral Balance, be treated as two securities consisting of a security in respect of which Principal Proceeds and other amounts are scheduled to be paid on or before the

Maturity Date and a security in respect of which Principal Proceeds and other amounts are scheduled to be paid after the Maturity Date and only such Distributions that are scheduled to occur on such Collateral Debt Security after the Maturity Date will constitute a Long Dated Security.

"**Managing Directors**" means Shareen Leijdesdorff-Perret Gentil, Geert Kruizinga and Henry Samuel Leijdesdorff or such other person(s) who may be appointed as Managing Director(s) of the Issuer from time to time.

"**Market Value**" means, in respect of any Collateral Debt Security or Eligible Investment on any date of determination, (a) the average of three bid side market prices obtained from MARKIT or (b) if three bid side market prices cannot be obtained from MARKIT, the average of the bid side market prices offered to the Collateral Manager by three internationally recognised independent brokers or, (c) if three prices cannot be obtained from MARKIT or three internationally recognised independent brokers then the lower of the bid side market price offered to the Collateral Manager by two internationally recognised independent brokers or if two prices cannot be obtained, then the one bid side market price offered to the Collateral Manager by one internationally recognised independent broker, or (d) if no such price is offered, in the case of any Collateral Debt Security or Eligible Investment (other than a CCC Security), the fair market value of such Collateral Debt Security or Eligible Investment (as the case may be) determined by the Collateral Manager on a reasonable efforts basis in a manner consistent with reasonable and customary market practice (and the Collateral Manager shall incur no liability for such determination) and, in the case of a CCC Security, the higher of (i) 70 per cent. and (ii) the recovery rate assigned by S&P in respect of such CCC Security relating to the most senior Class of Notes Outstanding, unless the Collateral Manager determines in its reasonable commercial judgment that such CCC Security should be assigned a lower value in which case such lower value shall be so assigned.

"**MARKIT**" means the independent, multi-asset class pricing service provided by Markit Group Limited or any replacement to such service as agreed between the Issuer and the Collateral Manager subject to receipt of Rating Agency Confirmation in respect thereof.

"**Matrix**" has the meaning given to such term in the Collateral Administration Agreement.

"**Maturity Date**" means, in respect of each Class of Notes, 18 July 2023, or in the event that such day is not a Business Day, the next following Business Day.

"**Maximum Investment Amount**" means the lower of (a) the Target Par Amount and (b) the aggregate of the Principal Balances of the Collateral Debt Securities and Eligible Investments acquired with Principal Proceeds, the Euro Principal Proceeds, the Undrawn Amount under the Class A1A Note Purchase Agreement and the Sterling Principal Proceeds converted into Euro at the Issue Date Spot Rate.

"**Measurement Date**" means (a) the Target Date; (b) after the Issue Date, any day or days on which a substitution (including each day of any sale and reinvestment, if not the same day) of or default under a Collateral Debt Security occurs; (c) the date of acquisition of any Additional Collateral Debt Security (which calculation shall, if such acquisition is to be funded by a drawing under the Class A1A Notes, be made within two Business Days of the date of the notice of drawdown in respect thereof); (d) each Determination Date after the Target Date; (e) the 20th day of each month after the Target Date commencing in January 2008 or, if such date is not a Business Day, the next succeeding Business Day; and (f) with reasonable notice, any Business Day requested by any Rating Agency or the Trustee.

"**Mezzanine Loan**" means (a) a Collateral Debt Security which is not a Dutch Ineligible Security that is a secured mezzanine loan, or other similar debt security, as determined by the Collateral Manager (excluding any loans to or issues by a start up company or an obligor with no trading history, unless (i) such loans or securities are fully guaranteed by an Affiliate which has an established trading history or Rating Agency Confirmation is received or (ii) such loans relate to the financing of a start up company that has been spun off from a company with an established trading history) or a Participation therein; or (b) a Synthetic Security, the Reference Obligation applicable to which is a mezzanine loan obligation of the type described in (a) above or a Participation therein, in which circumstances a Synthetic Security shall be treated as a Mezzanine Loan.

"**Minimum Denomination**" means €100,000 in the case of each Class (other than the Class A1A Notes) of the Regulation S Notes and €500,000 in the case of each Class (other than the Class A1A Notes) of the Rule

144A Notes and €1,000,000 or £500,000 in the case of the Class A1A Notes issued pursuant to Regulation S or Rule 144A.

"**Monthly Report**" means the monthly report defined as such in the Collateral Administration Agreement which is prepared by the Collateral Administrator on behalf of the Issuer and is made available on a website or deliverable to the Issuer, the Trustee, the Collateral Manager and the Rating Agencies and, upon request therefor in accordance with Condition 4(d) (*Information Regarding the Portfolio*), to any Noteholder, which shall include information regarding the status of the Collateral Debt Securities pursuant to the Collateral Administration Agreement.

"**Net Portfolio Collateral Balance**" means, on any Measurement Date, an amount equal to the sum of:

(a) the aggregate of the Principal Balances of the Collateral Debt Securities (other than Non-Performing Securities and Long Dated Securities) and, for the avoidance of doubt, excluding from the calculation of the Principal Balance of a PIK Security, any deferred or capitalised interest in respect of that PIK Security since such PIK Security was acquired by the Issuer;

(b) the aggregate principal balance standing to the credit of the Principal Collection Account, the Initial Proceeds Account, the Additional Collateral Account and the Euro Principal Reserve Account;

(c) the aggregate principal balance standing to the credit of the Sterling Principal Account and the Sterling Additional Collateral Account converted into Euro at the Spot Rate;

(d) the aggregate of the lesser of the Market Value and the applicable Recovery Percentage multiplied by the principal balance of each Non-Performing Security;

(e) the aggregate of the applicable Recovery Percentage multiplied by the principal balance of each Long Dated Security; and

(f) the aggregate of the principal balance of all Eligible Investments purchased by the Issuer with the Principal Proceeds or Uninvested Proceeds.

Solely for the purpose of calculating the Net Portfolio Collateral Balance in connection with the Coverage Tests and the Reinvestment OC Test, (i) if on any date the aggregate Principal Balance of all CCC Securities or securities pending receipt of a credit estimate or shadow rating exceeds 5 per cent. of the Maximum Investment Amount, then the Net Portfolio Collateral Balance will be reduced by the sum (without duplication) of the Adjustment Amounts with respect to each CCC Security on such date; (ii) any Discount Collateral Debt Security (with the exception of CCC Securities as adjusted pursuant to paragraph (i) above) will be included at its purchase price, and (iii) any Current Pay Obligation with a Market Value of less than 80 per cent. shall be included at the applicable Recovery Percentage multiplied by the principal balance of such Current Pay Obligation.

"**Non-Euro Collateral Debt Security**" means any Collateral Debt Security which is not denominated in Euro including for the avoidance of doubt, any Collateral Debt Security which is denominated in Sterling but whose acquisition was funded by the Issuer in Euro and such Collateral Debt Security denominated in Sterling is the subject of an Asset Swap Transaction and excluding any Sterling Collateral Debt Security.

"**Non-Performing Security**" means (a) any Defaulted Security; and (b) any PIK Security the issuer or obligor (or, in the case of a Synthetic Security or Participation of which the Reference Obligation or related Collateral Debt Security is a PIK Security, the related Reference Obligor or, as the case may be, issuer or obligor of such Collateral Debt Security) of which has previously deferred and capitalised as principal any interest due thereon for (i) more than six consecutive months if such PIK Security is rated "BB+" or lower by Fitch or "BB+" or lower by S&P or (ii) more than twelve consecutive months if such PIK Security is rated "BBB" or higher by Fitch or "BBB" or higher by S&P; *provided* that a PIK Security shall not be a Non-Performing Security if an amount in respect of the interest so deferred and capitalised as referred to in sub-paragraphs (b)(i) and (ii) is subsequently received in cash by the Issuer in excess of (i) EURIBOR plus 2.0 per cent. per annum (in the case of a floating rate Euro Collateral Debt Security); or (ii) LIBOR plus 2.0 per cent. per annum (in the case of a floating rate Sterling Collateral Debt Security) for the period since such PIK Security was acquired by the Issuer.

"**Note Interest Rate**" means, in respect of any Class of Note, the annual rate at which interest accrues on the Notes of such Class as specified in Condition 6 (*Interest*) including for the avoidance of doubt, the relevant margins referred to therein.

"**Noteholder Valuation Report**" means the quarterly report defined as such in the Collateral Administration Agreement which is prepared by the Collateral Administrator on behalf of the Issuer and is made available on a website or deliverable to the Issuer, the Trustee, the Collateral Manager and the Rating Agencies and, upon request therefor in accordance with Condition 4(d) (*Information Regarding the Portfolio*), to any Noteholder, which shall include information regarding the status of the Collateral Debt Securities pursuant to the Collateral Administration Agreement.

"**Noteholders**" means the Person in whose name a Note is registered in the Register or the Capital Commitment Register, as the case may be, from time to time.

"**Notes**" means the Class A1A Notes, the Class A1B Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class N Notes or any of them.

"**Obligor**" means the borrower thereunder or issuer thereof or, in either case, the guarantor thereof (as determined by the Collateral Manager on behalf of the Issuer) of each Collateral Debt Security including, where the context requires, a Reference Obligor.

"**Offer**" means with respect to any Collateral Debt Security (a) any offer by the obligor under such obligation or by any other Person made to all of the creditors of such obligor in relation to such obligation to purchase or otherwise acquire such obligation (other than pursuant to any redemption in accordance with the terms of the related Underlying Instruments) or to convert or exchange such obligation into or for cash, securities or any other type of consideration or (b) any solicitation by the Issuer of such obligation or any other Person to amend, modify or waive any provision of such obligation or any related Underlying Instrument.

"**Outstanding**" means:

(a) in relation to the Notes, all the Notes which have been issued pursuant to the provisions of the Trust Deed other than:

(i) those which have been redeemed in accordance with the Trust Deed and the Conditions;

(ii) those in respect of which the Redemption Date in accordance with the Conditions has occurred and the full Redemption Price in respect whereof has been duly paid to the Noteholders, the Trustee or the Paying Agents in the manner *provided* in the Agency Agreement and, where appropriate, notice to that effect has been given to the relevant Noteholders in accordance with the Conditions and such moneys either have been paid to the Noteholders or remain available for payment against presentation of the relevant Notes;

(iii) those which have become void under the Conditions;

(iv) any Global Note to the extent that it shall have been exchanged for Definitive Notes and in the case of any Note, to the extent of the extinguishment of the amount thereof by payment in respect thereof; and

(v) those mutilated or defaced Notes for which replacement Notes have been issued pursuant to the Conditions;

provided that for each of the following purposes:

(A) the right to attend and vote at any meeting of Noteholders;

(B) the determination of how many and which Notes are Outstanding for the purposes of Clause 7.2 (*Enforcement*) of the Trust Deed and Condition 10 (*Events of Default*) of the Conditions;

(C) any discretion, power or authority (whether contained in the Trust Deed or vested by operation of law) which the Trustee is required expressly or impliedly to exercise in or by reference to the interests of the Noteholders or any one of them; and

(D) the determination by the Trustee whether any event or potential event is or would be materially prejudicial to the interests of the Noteholders or any of them,

those Notes (if any) which are, for the time being, beneficially held by or on behalf of the Issuer or (if any of the purposes specified in (A) to (D) above relates to a decision concerning the removal of the Collateral Manager), the Collateral Manager or any Affiliate of the Collateral Manager shall (unless and until cancelled or ceasing to be so held) be deemed not to be Outstanding. The Trustee shall be entitled to assume that there are no such holders except to the extent that it is otherwise expressly aware and shall not be bound or concerned to make such enquiry. The Trustee may rely on a certificate of the Issuer or the Collateral Manager (as the case may be) as to such holdings; and

(b) in relation to the Class A1A Notes, (i) the Total Outstandings at any time (each amount denominated in Sterling is converted into Euro at the Issue Date Spot Rate and (ii) only in respect of calculating voting rights of the Controlling Class and the Coverage Tests, at any time, the Total Commitments;

provided further that, for the avoidance of doubt, that the Notes will be deemed not to be Outstanding prior to the Issue Date.

"**Participation**" means an interest in a Collateral Debt Security acquired indirectly by the Issuer (by way of participation or sub-participation) from a Selling Institution.

"**Participation Agreement**" means an agreement between the Issuer and a Selling Institution in relation to the purchase by the Issuer of a Participation.

"**Payment Date**" means (i) the 18th day of January and July in each year, commencing on 18 January 2008, the Maturity Date and any Redemption Date; *provided* that if any Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day that is a Business Day.

"**Payment Default**" means the occurrence of an Issuer Event of Default under paragraphs (i) (*Failure to pay Interest*) or (ii) (*Failure to pay Principal*) of Condition 10(a) (*Events of Default*).

"**Person**" means an individual, corporation (including a business trust), partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof.

"**PIK Security**" means any Collateral Debt Security with respect to which the issuer thereof or obligor thereon (or, in the case of a Synthetic Security or Participation, the related Reference Obligor or, as the case may be, obligor of the underlying Collateral Debt Security) has the right under the instrument or agreement pursuant to which such Collateral Debt Security was issued or created to defer or capitalise interest due on such Collateral Debt Security (including without limitation by way of capitalising interest thereon or by issuance of additional debt obligations identical thereto) or to pay interest by the issuance of a further obligation and, in either case, is not required to pay cash in interest at least semi annually; *provided* however that any such Collateral Debt Security shall not have been issued or created with the express intent that interest thereon be subject only to deferral or capitalisation.

The Principal Balance of any PIK Security will include any amount of such PIK Security representing previously deferred or capitalised interest (excluding any capitalised interest accruing after the purchase of such Collateral Debt Security).

"**Portfolio**" means the Collateral Debt Securities, Collateral Enhancement Securities and Defaulted Equity Securities held by or on behalf of the Issuer (or, in the case of a loaned Collateral Debt Security, held pursuant to the applicable Securities Lending Agreement) from time to time.

"**Presentation Date**" means a day on which a holder presents, or is entitled to present (as the case may be), a Note for payment and which (subject to Condition 12 (*Prescription*)):

(a) is a Business Day;

(b) is or falls after the relevant due date for payment or, if the due date is not or was not a Business Day in The Netherlands, is or falls after the next following Business Day which is a business day in The Netherlands; and

(c) is a Business Day in the place in which the account specified by the payee is open.

"**Principal Balance**" means, with respect to any Collateral Debt Security, Eligible Investment or any Defaulted Equity Security, as of any date of determination, the outstanding principal amount thereof (excluding any capitalised interest accruing after the purchase of such Collateral Debt Security); *provided*, however, that:

(a) the Principal Balance of any Defaulted Equity Security shall be deemed to be zero;

(b) unless otherwise specified, the Principal Balance of:

(i) any Collateral Debt Security received upon acceptance of an Offer for another Collateral Debt Security which Offer expressly states that failure to accept such Offer may result in a default under the Collateral Debt Security or applicable Underlying Instruments; or

(ii) any Collateral Debt Security which is or has become a Non-Performing Security,

shall be the lesser of its Market Value and the applicable Recovery Percentage multiplied by the principal balance of each such Collateral Debt Security;

(c) the Principal Balance of any Collateral Debt Security that is a Synthetic Security or a Participation or Collateral Debt Security loaned pursuant to a Securities Lending Agreement shall be deemed to be the principal or notional amount of such Synthetic Security or Participation or Collateral Debt Security loaned pursuant to a Securities Lending Agreement (in the case of a Synthetic Security, as reduced from time to time in accordance with the terms thereof including as a result of the occurrence of any "credit event" thereunder) unless either (i) the Collateral Manager or the Rating Agencies determines otherwise and the Rating Agencies confirm that such determination will not adversely affect the ratings assigned to the Senior Notes and the other Rated Notes; or (ii) if the Reference Obligation or underlying Collateral Debt Security in respect thereof is a Collateral Debt Security which falls within (a) and (b) above, in which event the Principal Balance shall be deemed to be zero until such time as Interest Proceeds or Principal Proceeds, as applicable, are received in cash when due with respect to such Collateral Debt Security;

(d) the Principal Balance of any PIK Security will include any amount of such PIK Security representing previously deferred or capitalised interest (excluding any deferred interest which has been capitalised and/or accrued up to the date of acquisition thereof);

(e) the Principal Balance of any cash shall be the amount of such cash; and

(f) the Principal Balance of a Non-Euro Collateral Debt Security the subject of an Asset Swap Transaction shall be an amount equal to the notional amount of such Asset Swap Transaction.

The Principal Balance of a Sterling Collateral Debt Security shall be converted into Euro at the Issue Date Spot Rate and the Principal Balance of a Non-Euro Collateral Debt Security shall be converted into Euro at the Asset Swap Transaction Exchange Rate, *provided* that for the purposes of calculating the Coverage Tests, the Reinvestment OC Test and any Collateral Quality Test, the Principal Balance of a Sterling Collateral Debt Security shall be converted into Euro at the Spot Rate.

"**Principal Collection Account**" means Euro account so named of the Issuer held with the Account Bank into which Euro Principal Proceeds are to be paid.

"**Principal Proceeds**" means the Euro Principal Proceeds and the Sterling Principal Proceeds.

"**Priorities of Payment**" means:

(a) save in respect of any redemption of the Notes pursuant to Condition 7(b) (*Optional Redemption*) and prior to enforcement of the security over the Collateral in accordance with Condition 11 (*Enforcement*), in respect of any Payment Date in the case of Interest Proceeds, the priorities of payment set out in Condition 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) or, in the case of Principal Proceeds, the priorities of payment set out in Condition 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*);

(b) in the event of any redemption of the Notes pursuant to Condition 7(b) (*Optional Redemption*) and on and following enforcement of the security over the Collateral in accordance with Condition 11 (*Enforcement*), the priorities of payment set out in Condition 11 (*Enforcement*); and

(c) save in respect of any redemption of the Notes prior to enforcement of the security over the Collateral in accordance with Condition 11 (*Enforcement*), in the case of Interest Proceeds, other than on any Payment Date, the priorities of payment set out in Condition 3(c)(ii) (*Application of Interest Proceeds between Payment Dates*) or, in the case of Principal Proceeds, the priorities of payment set out in Condition 3(c)(iv) (*Application of Principal Proceeds between Payment Dates*).

"**Priority Category Recovery Rate**" means the Fitch Priority Category Recovery Rate and/or the S&P Priority Category Recovery Rate each as defined in the Collateral Administration Agreement.

"**Proceedings**" has the meaning given to it in Condition 18(b) (*Jurisdiction*).

"**Qualified Purchaser**" means a Person who is a qualified purchaser as defined in Section 2(a)(51) of the Investment Company Act 1940, as amended, and the rules thereunder.

"**Qualifying Country**" shall have the meaning given to such term in the Collateral Management Agreement.

"**QIB**" or "**Qualified Institutional Buyer**" means a Person who is a "qualified institutional buyer" as defined in Rule 144A.

"**Quotation Date**" shall have the meaning given to such term in the Class A1A Note Purchase Agreement.

"**Ramp-Up Period**" means the period from and including the Issue Date to and including the Target Date.

"**Rated Notes**" means, so long as any Notes of the relevant Class remain Outstanding, the Senior Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

"**Rating Agencies**" means each of Fitch and S&P or, if at any time Fitch or S&P ceases to provide rating services, any other nationally recognised investment rating agency selected by the Issuer, and reasonably satisfactory to the Trustee (a "**Replacement Rating Agency**"). In the event that at any time a Rating Agency is replaced by a Replacement Rating Agency pursuant to this definition, references to rating categories of the original Rating Agency in these Conditions, the Trust Deed, the Collateral Management Agreement, the Collateral Administration Agreement and any other Transaction Document shall be deemed instead to be references to the equivalent categories of the relevant Replacement Rating Agency as of the most recent date on which such Replacement Rating Agency published ratings for the type of security in respect of which such Replacement Rating Agency is used as determined by the Issuer.

"**Rating Agency Confirmation**" means consent in writing from Fitch or S&P (as applicable) that a proposed action will not cause the downgrade or withdrawal of its then current rating of the Senior Notes or any other Class of Rated Notes.

"**Rating Requirement**" means:

(a) in the case of the Liquidity Facility Provider, a short term senior unsecured debt rating of at least "F1" by Fitch and "A-1" by S&P;

(b) in the case of the Account Bank and the Principal Paying Agent, a short term senior unsecured debt rating of at least "F1" by Fitch and "A-1+" by S&P;

(c) in the case of a Hedge Counterparty (or if applicable, a guarantor of such Hedge Counterparty), a short term senior unsecured debt rating of at least "F1" by Fitch and "A-1+" by S&P and a long term senior unsecured debt rating of at least "A+" by Fitch;

(d) in the case of any Class A1A Noteholder (or if applicable, a guarantor of such Class A1A Noteholder), (i) a short term senior unsecured debt rating of at least "F1" by Fitch and a long term senior secured debt rating of at least "A+" by Fitch; and (ii) if such Class A1A Noteholder is a financial institution, a short term issuer credit rating of at least "A-1" by S&P; or if such Class A1A Noteholder is a conduit, a short term issuer credit rating of at least "A-1+" by S&P unless the liquidity facility provider of such conduit co-signs the form of Transfer Certificate as set out in Schedule 3 to the Class A1A Note Purchase Agreement, in which case such conduit must have a short term issuer credit rating of at least "A-1" by S&P; and

(e) in the case of any Custodian, a short term senior unsecured debt rating of at least "F1" by Fitch and "A-1" by S&P and a long term senior unsecured debt rating of at least "A+" by Fitch,

in each case, for so long as the Rating Agencies have assigned a rating to the Rated Notes and where the requirements stated above are not satisfied, Rating Agency Confirmation is received with respect to such party.

"**Record Date**" has the meaning given thereto in Condition 8(a) (*Method of Payment*).

"**Recovery Percentage**" applicable to (a) a Non-Performing Security means the lower of (i) the lower of the Fitch and S&P's Priority Category Recovery Rate; and (ii) the current Market Value; and (b) a Long Dated Security or a Current Pay Obligation with a Market Value of less than 80 per cent. means the lower of the recovery rate assigned to such security by Fitch and S&P; and (c) a CCC Security means the lower of (i) the lower of the recovery rate assigned to such security by Fitch and S&P and (ii) the current Market Value.

"**Redemption Date**" means each date specified for a redemption of the Notes of a Class in full pursuant to Condition 7 (*Redemption*) or the date on which the Notes of such Class are accelerated pursuant to Condition 10 (*Events of Default*), or in each case, if such day is not a Business Day the next following Business Day.

"**Redemption Determination Date**" has the meaning given thereto in Condition 7(b)(ii) (*Conditions to Optional Redemption at the Option of the Class N Noteholders*).

"**Redemption Notice**" means a redemption notice in the form available from any of the Transfer Agents which has been duly completed by a Noteholder and which specifies, amongst other things, the applicable Redemption Date.

"**Redemption Price**" means, when used with respect to:

(a) any Class A Note (other than the Class A1A Notes), Class B Note, Class C Note, Class D Note or Class E Note, 100 per cent. of the outstanding principal amount of such Note to be redeemed, together with interest accrued thereon to the date of redemption;

(b) the Class A1A Notes, 100 per cent. of the Total Outstandings under the Class A1A Notes, together with the Interest Amounts accrued thereon (including the Class A1A Increased Margin) to the date of repayment and any amounts due and payable by the Issuer in respect of the Commitment Fee and the Break Costs; and

(c) any Class N Note, such Class N Note's *pro rata* share (based on the percentage which the outstanding principal amount of such Class N Note bears to the aggregate principal amount of all Class N Notes Outstanding immediately prior to such redemption) of the aggregate proceeds of liquidation of the Collateral or realisation of the security thereover in such circumstances, remaining following application thereof in accordance the Priorities of Payment, after satisfaction in full of the Redemption Threshold Amount.

"**Redemption Threshold Amount**" means the aggregate of the amounts which would be due and payable on the redemption of the Notes on the scheduled Redemption Date and all other amounts which, pursuant to Condition 11 (*Enforcement*), rank in priority to payments in respect of the Class N Notes in accordance with the Priorities of Payment (including any amounts payable by the Issuer on termination or liquidation of the Hedge Agreements, net of any amounts received by the Issuer on termination or liquidation of such agreements on the basis that such Hedge Agreements are terminated with payments thereon being payable on the scheduled Redemption Date).

"**Reference Obligation**" means a debt obligation to which a Synthetic Security is linked that satisfies paragraph (a) of the Eligibility Criteria, *provided* that such debt obligation may be denominated in a currency other than Euro or Sterling.

"**Reference Obligor**" means the obligor of a Reference Obligation.

"**Register**" has the meaning given thereto in Condition 2(a) (*Forms and Denomination*).

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

"**Regulation S Definitive Notes**" means the Class A1A Regulation S Definitive Notes, the Class A1B Regulation S Definitive Notes, the Class A2 Regulation S Definitive Notes, the Class B Regulation S Definitive Notes, the Class C Regulation S Definitive Notes, the Class D Regulation S Definitive Notes, the Class E Regulation S Definitive Notes and the Class N Regulation S Definitive Notes or (as the context may require) any of them.

"**Regulation S Global Notes**" means the Class A1B Regulation S Global Note, the Class A2 Regulation S Global Note, the Class B Regulation S Global Note, the Class C Regulation S Global Note, the Class D Regulation S Global Note, the Class E Regulation S Global Note and the Class N Regulation S Global Note or (as the context may require) any of them.

"**Regulation S Notes**" means Notes offered for sale outside of the United States under Regulation S.

"**Reinvestment Criteria**" means the Reinvestment Criteria specified in the Collateral Management Agreement.

"**Reinvestment OC Ratio**" means, as at any Measurement Date, the ratio (expressed as a percentage) obtained by dividing the Net Portfolio Collateral Balance by the aggregate principal amount of the Senior Notes, the Class B Notes, the Class C Note, the Class D Notes and the Class E Notes Outstanding (including for the avoidance of any doubt, the Class B Deferred Interest, the Class C Deferred Interest, the Class D Deferred Interest and the Class E Deferred Interest).

"**Reinvestment OC Test**" shall be satisfied in respect of a Measurement Date if, on such Measurement Date, the Reinvestment OC Ratio is at least 105.6 per cent.

"**Reinvestment Period**" means the period from, and including, the Issue Date and ending on (but excluding) the first to occur of (i) the Determination Date immediately preceding the Payment Date falling in July 2013; (ii) the Payment Date on which the entire aggregate principal amount outstanding of all the Notes is to be optionally redeemed; (iii) the date of the occurrence of an Issuer Event of Default; (iv) the date on which the Trustee notifies the Issuer in writing that consent is given by the holders of at least 50 per cent. of the aggregate principal amount outstanding of the Class N Notes (including for this purpose any of the Notes held by the Collateral Manager and its Affiliates) to terminate the Reinvestment Period prior to the Determination Date falling in July 2013 following a notification by the Collateral Manager (acting in its sole and absolute discretion on behalf of the Issuer) to the Issuer that the Collateral Manager has, after making all reasonable efforts to do so, been unable for reasons beyond its control, to identify Additional Collateral Debt Securities that are deemed appropriate by the Collateral Manager (acting reasonably in accordance with its normal practice and acting on behalf of the Issuer) and which meet the Eligibility Criteria or, to the extent applicable, the Reinvestment Criteria in sufficient amounts to permit investment or reinvestment of the funds required to be invested by the Issuer.

"**Relevant Amount**" in respect of a PIK Security is that amount of interest which has been deferred, capitalised or paid by the issuance of a further obligation, and which is repaid or otherwise realised and shall be determined as follows:

(a) where interest is paid by issuance of a further obligation, the Relevant Amount shall be the amount realised by the Issuer on sale, redemption or repayment of such further obligation;

(b) where interest is deferred or capitalised, the Relevant Amount shall be the amount:

(i) in the case of redemption or repayment of the relevant PIK Security, of the deferred or capitalised interest less any amount by which the amount received on redemption or repayment is less than the Principal Balance of such PIK Security and accrued interest for the last interest period to the date of redemption or repayment; or

(ii) in the case of any other realisation of the relevant PIK Security, of the deferred or capitalised interest less the amount by which the amount received in respect of such realisation is less than the Principal Balance of such PIK Security and accrued interest for the period to the date of realisation; or

(iii) in the case such deferred or capitalised interest is paid by the obligor (or any guarantor thereof) other than on redemption or repayment, the amount of such deferred or capitalised interest received by the Issuer.

If interest accrues on any deferred or capitalised interest or on any further obligation issued in payment of interest, such accrued interest which is paid to the Issuer shall be treated as a Relevant Amount in respect of such PIK Security.

"**Relevant Date**" means whichever is the later of (a) the date on which any payment first becomes due and (b) if the full amount payable has not been received by the Registrar or the Trustee on or prior to such due date, the date on which the full amount having been so received, notice to that effect shall have been given to the Noteholders in accordance with Condition 16 (*Notices*).

"**repay**" shall include redeem and vice versa and repaid, repayable, repayment, redeemed, redeemable and redemption shall be construed accordingly.

"**Repayment Date**" means, the earlier of the (a) the Maturity Date for the Class A Notes; and (b) the Redemption Date for the Class A Notes.

"**Replacement Collateral Manager**" means the person appointed pursuant to the Collateral Management Agreement to replace the Collateral Manager.

"**Replacement Collateral Manager Subordinated Fee**" means the sum of (i) the subordinated fee payable to a Replacement Collateral Manager on each Payment Date pursuant to the Collateral Management Agreement equal to such percentage per annum as agreed when such Replacement Collateral Manager is appointed of the daily weighted average aggregate of the Principal Balances of the Collateral Debt Securities during the Due Period ending immediately preceding such Payment Date and (ii) any value added tax in respect thereof (whether payable to the Replacement Collateral Manager or directly to the relevant taxing authority).

"**Replacement Hedge Agreement**" means any Hedge Agreement entered into by the Issuer upon termination of an existing Hedge Agreement on substantially the same terms as the original Hedge Agreement (including with respect to any Hedge Transactions entered into thereunder).

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

"**Rule 144A Definitive Notes**" means the Class A1A Rule 144A Definitive Notes, the Class A1B Rule 144A Definitive Notes, the Class A2 Rule 144A Definitive Notes, the Class B Rule 144A Definitive Notes, the Class C Rule 144A Definitive Notes, the Class D Rule 144A Definitive Notes, the Class E Rule 144A Definitive Notes and the Class N Rule 144A Definitive Notes or (as the context may require) any of them.

"**Rule 144A Global Notes**" means the Class A1B Rule 144A Global Note, the Class A2 Rule 144A Global Note, the Class B Rule 144A Global Note, the Class C Rule 144A Global Note, the Class D Rule 144A Global Note, the Class E Rule 144A Global Note, the Class N Rule 144A Global Note or (as the context may require) any of them.

"**Rule 144A Notes**" means Notes offered for sale within the United States in reliance on Rule 144A.

"**Sale Proceeds**" means (i) all proceeds (including accrued interest designated as Principal Proceeds by the Collateral Manager and any fees, but excluding accrued interest designated as Interest Proceeds by the Collateral Manager) received upon the sale or other realisation of any Collateral Debt Security, Eligible Investment, Collateral Enhancement Security, PIK Security or Defaulted Equity Security and (ii) any Distribution received upon liquidation of Synthetic Security Collateral (in the event that the Synthetic Security or the Synthetic Security Obligor's security interest is terminated by the Collateral Manager acting on behalf of the Issuer or sold or assigned), net of any amounts expended by or payable by the Collateral Manager or the Collateral Administrator (on behalf of the Issuer) in connection with such sale or other realisation. To the extent such Sale Proceeds are in respect of a Sterling Collateral Debt Security or Sterling denominated Eligible Investment, such Sale Proceeds shall be determined in Sterling and to the extent such Sale Proceeds are in respect of a Euro Collateral Debt Security, a Non-Euro Collateral Debt Security, or Euro denominated Eligible Investments, such Sale Proceeds shall be determined in Euro.

"**Screen Rate**" has the meaning given to such term in Condition 6(e)(i)(A).

"**Second Lien Loan**" means (a) any obligation or obligations which would be a Bank Loan (excluding sub-paragraph (iii) thereof) except that it is subordinated to another obligation of the Obligor which has a higher priority security interest in the fixed assets or stock on which the loan is secured; or (b) a Synthetic Security, the Reference Obligation applicable to which is a second lien loan obligation of the type described in (a) above or a Participation therein, in which circumstances a Synthetic Security shall be treated as a Second Lien Loan;

"**Secured Participation**" means a Participation in respect of which the Issuer has security over the Collateral Debt Security to which such Participation relates.

"**Secured Party**" means each of the Noteholders, each Agent, the Account Bank, the Collateral Administrator, the Collateral Manager, the Custodian, each Hedge Counterparty, the Capital Commitment Registrar, the Liquidity Facility Provider, the Initial Purchaser, the Trustee on behalf of itself and any receiver appointed by the Trustee pursuant to the Trust Deed.

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

"**Securities Lending Account**" means the interest bearing account in the name of the Issuer held with the Account Bank into which all Securities Lending Collateral is to be deposited.

"**Securities Lending Agent**" means any person having the regulatory capacity to conduct securities business in The Netherlands appointed by the Collateral Manager on behalf of the Issuer, to enter into securities lending arrangements which are the subject of a Rating Agency Confirmation.

"**Securities Lending Agreement**" means a securities lending agreement substantially in the format of the "**Overseas Securities Lender's Agreement**" scheduled to the Collateral Management Agreement entered into between the Issuer and a Securities Lending Counterparty from time to time; *provided* however that Fitch shall have the opportunity of prior review of any such agreement.

"**Securities Lending Collateral**" means any cash and/or securities of any one or more Qualifying Countries with a maturity of five years or less delivered to the Issuer as collateral for the obligations of a Securities Lending Counterparty under a Securities Lending Agreement, *provided* that such securities shall not be Dutch Ineligible Securities.

"**Securities Lending Counterparty**" means any counterparty to a Securities Lending Agreement with the Issuer with a short term debt rating or a guarantor with such rating of at least "F1" from Fitch and "A-1+" from S&P and a long term rating of at least "A+" from Fitch, *provided* that, to the extent required, such

counterparty has the regulatory capacity as a matter of Dutch law to enter into securities transactions with Dutch residents.

"**Selling Institution**" means an institution from which a Participation is acquired.

"**Senior Administrative Expenses**" means, on any Payment Date, the Administrative Expenses set out in each of paragraphs (a) through (l) of the definition of Administrative Expenses which shall be payable in the order of priority as listed and shall not exceed, in aggregate, €125,000 in any Due Period.

"**Senior Coverage Test**" means the Senior Interest Coverage Test and the Senior Overcollateralisation Test.

"**Senior Interest Coverage Ratio**" means, on any Measurement Date, the ratio (expressed as a percentage) obtained by dividing (a) the Interest Coverage Amount by (b) the aggregate of the scheduled interest payments payable on the Senior Notes on the following Payment Date (including any Commitment Fee but excluding any Class A1A Increased Margin).

"**Senior Interest Coverage Test**" shall be satisfied in respect of any Measurement Date falling on or after the Target Date if, on such Measurement Date, the Senior Interest Coverage Ratio is at least 105.0 per cent.

"**Senior Noteholders**" means together the holders of the Class A Notes from time to time.

"**Senior Notes**" means the Class A1A Notes, the Class A1B Notes and the Class A2 Notes.

"**Senior Notes Redemption Method**" means that (i) the Senior Notes shall be redeemed in the following order of priority: *first*, to the redemption or repayment of the Class A1A Notes and the Class A1B Notes on a *pro rata* and *pari passu* basis and *second*, to the redemption of the Class A2 Notes on a *pro rata* and *pari passu* basis and (ii) the Issuer shall redeem or repay such Senior Notes by using available Euro Interest Proceeds and Euro Principal Proceeds to redeem and/or repay the Senior Notes denominated in Euro and available Sterling Interest Proceeds and Sterling Principal Proceeds to redeem and/or repay the Senior Notes denominated in Sterling.

"**Senior Overcollateralisation Ratio**" means, as at any Measurement Date, the ratio (expressed as a percentage) obtained by dividing the Net Portfolio Collateral Balance by the aggregate principal amount of the Senior Notes Outstanding.

"**Senior Overcollateralisation Ratio Test**" shall be satisfied in respect of any Measurement Date falling on or after the Target Date if, on such Measurement Date, the Senior Overcollateralisation Ratio is at least 133.9 per cent.

"**Senior Secured Loan**" means (a) a senior secured loan obligation as determined by the Collateral Manager in its reasonable commercial judgement or a Participation thereof; or (b) a Synthetic Security, the Reference Obligation applicable to which is an obligation of the type described in paragraph (a) above, that is:

(a) secured by (i) fixed assets of the Obligor if and to the extent a pledge of fixed assets is permissible under applicable law (save in the case of assets so numerous or diverse that the failure to take such security is consistent with reasonable secured lending practices), and otherwise (ii) 100 per cent. of the equity interests in the stock of an entity owning such fixed assets; and

(b) no other obligation of the Obligor has any higher priority security interest in such fixed assets or stock.

"**Senior Trustee Fees**" means, on any Payment Date, Trustee Fees which, when aggregated with all Trustee Fees paid during the related Due Period, shall not exceed 0.02 per cent. of the aggregate of the Principal Balances of the Collateral Debt Securities on the immediately preceding Payment Date.

"**Senior Unsecured Loan**" means a senior unsecured loan obligation as determined by the Collateral Manager in its reasonable commercial judgement or a Participation thereof.

"**Special Debt Security**" means (i) a Senior Unsecured Loan or Subordinated Unsecured Loan; and (ii) any other obligation or security (not being a Dutch Ineligible Security) for which the Issuer has obtained Rating Agency Confirmation, including in each case, a Synthetic Security whose Reference Obligation is a senior or subordinated unsecured loan obligation similar to the foregoing other than:

(a) a Bank Loan;

(b) a Mezzanine Loan;

(c) a Second Lien Loan; and

(d) a CLO Security.

"**Spot Rate**" means with respect to any conversion of Sterling into Euro or, as the case may be, of Euro into Sterling, the relevant spot rate of exchange quoted by the Collateral Administrator on the date of calculation.

"**Stand-by Account**" means each of the account(s) so named of the Issuer as may be established with the Account Bank from time to time for each Class A1A Noteholder who does not meet the Rating Requirement pursuant to the terms of the Class A1A Note Purchase Agreement.

"**Stand-by Liquidity Account**" means each of (a) the interest bearing account denominated in Euro so named of the Issuer to be established with the Account Bank pursuant to the terms of the Liquidity Facility Agreement and (b) the interest bearing account denominated in Sterling which may be established in the name of the Issuer held with the Account Bank pursuant to the terms of the Liquidity Facility Agreement.

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

"**S&P Rating**" has the meaning given to it in the Collateral Administration Agreement.

"**Stated Maturity**" means, with respect to any Collateral Debt Security or Note, the date specified in such obligation as the fixed date on which the final payment or repayment of principal of such obligation is due and payable or, if such date is not a Business Day, the next following Business Day.

"**Sterling Accounts**" means the Sterling Interest Account, the Sterling Principal Account, the Sterling Additional Collateral Account, the Sterling Payment Account, the Sterling Liquidity Payment Account and the Sterling Expense Account.

"**Sterling Additional Collateral Account**" means the Sterling account so named of the Issuer held with the Account Bank, amounts standing to the credit of which, subject to certain conditions, may be used to purchase Additional Collateral Debt Securities during the Reinvestment Period.

"**Sterling Collateral Debt Security**" means a Collateral Debt Security denominated in Sterling and for the avoidance of doubt, "**Sterling Collateral Debt Security**" does not include a Non-Euro Collateral Debt Security which is denominated in Sterling.

"**Sterling Drawings**" has the meaning ascribed thereto in the Class A1A Note Purchase Agreement.

"**Sterling Expense Account**" means the Sterling account so named of the Issuer held with the Account Bank, amounts standing to the credit of which may be used to fund certain expenses arising between Payment Dates.

"**Sterling Funding Mismatch**" means on any Determination Date or any other date of calculation, the greater of (a) zero; and (b) the aggregate principal amount outstanding of any Sterling Drawings on such Determination Date less the sum of (i) the aggregate Principal Balance of all Sterling Collateral Debt Securities on such Determination Date and (ii) the Sterling Principal Proceeds (excluding any amounts paid by the Initial Hedge Counterparty to the Issuer pursuant to the Initial Hedge Agreement) standing to the credit of the Sterling Principal Account on such Determination Date.

"**Sterling Interest Account**" means Sterling account so named of the Issuer held with the Account Bank into which all Sterling Interest Proceeds are to be paid.

"**Sterling Interest Proceeds**" means with respect to any Due Period (without duplication) the sum of:

(a) all payments of interest received in cash by the Issuer during the related Due Period on the Sterling Collateral Debt Securities purchased by the Issuer and Sterling denominated Eligible Investments (other than interest accrued on Sterling Collateral Debt Securities purchased by the Issuer to the date of acquisition thereof by the Issuer and purchased with Sterling Principal Proceeds or with amounts drawn under the Class A1A Notes);

(b) all accrued interest received in cash by the Issuer during the related Due Period with respect to Sterling Collateral Debt Securities realised by the Issuer (other than (i) interest accrued on Sterling Collateral Debt Securities to the date of acquisition thereof by the Issuer and purchased with Sterling Principal Proceeds or with amounts drawn under the Class A1A Notes and other than any Relevant Amount denominated in Sterling in respect of such realisation, and (ii) interest accrued on any PIK Security denominated in Sterling to the date of acquisition thereof by the Issuer and purchased with Sterling Principal Proceeds or with amounts drawn under the Class A1A Notes);

(c) (i) all payments of principal in Sterling received in cash by the Issuer during the related Due Period on Eligible Investments to the extent such Eligible Investments were acquired with Sterling Interest Proceeds; and (ii) all amounts representing the element of deferred interest in any payments received in respect of any Mezzanine Loan or Second Lien Loan which is not a Defaulted Security and which by its contractual terms provides for the deferral of interest;

(d) all amounts denominated in Sterling, if any, paid to the Issuer by any Hedge Counterparty (other than any Hedge Termination Receipts) under any Hedge Transaction in such Due Period and all amounts payable to the Issuer by any Hedge Counterparty (other than any Hedge Termination Receipts) under any Hedge Transaction on the Payment Date immediately following such Due Period;

(e) all amounts denominated in Sterling of amendment and waiver fees, all late payment fees, syndication fees and all other fees and commissions received in cash by the Issuer during the related Due Period in connection with the Sterling Collateral Debt Securities purchased by the Issuer and Sterling denominated Eligible Investments;

(f) the amount of Sterling standing to the credit of the Sterling Expense Account on the last Business Day of the Due Period ending immediately prior to the Redemption Date or Maturity Date;

(g) all amounts, if any, paid in Sterling to the Issuer by any Securities Lending Counterparty under any Securities Lending Agreement in such Due Period, including any scheduled interest payments on Securities Lending Collateral after the occurrence of an Event of Default under the related Securities Lending Agreement; and

(h) any other amount in Sterling whether in the nature of profits, Trading Gains or otherwise which is designated as Sterling Interest Proceeds by the Collateral Manager; *provided* that the Collateral Manager may not designate Trading Gains as Sterling Interest Proceeds unless the sum of (i) the aggregate Principal Balance of all Collateral Debt Securities and (ii) the aggregate principal balance standing to the credit of the Principal Collection Account, the Initial Proceeds Account, the Additional Collateral Account and the Euro Principal Reserve Account, is equal to or greater than the Target Par Amount, in each case both immediately prior to and after giving effect to the reinvestment of the applicable proceeds that gave rise to such Trading Gains;

but excluding (i) all Euro Interest Proceeds and (ii) any amounts recovered and any Distributions received in cash by the Issuer in respect of any Defaulted Securities denominated in Sterling following such Sterling Collateral Debt Security becoming a Defaulted Security other than where the aggregate amount of such recoveries or, as the case may be, such Distributions received in respect of such Defaulted Security exceeds the principal balance of the Sterling Collateral Debt Security immediately prior to the time it became a Defaulted Security and (iii) in respect of any scheduled interest payments described in paragraph (g) above in respect of a loaned Collateral Debt Security as to which an event of default under the related Securities Lending Agreement has occurred and is continuing; and (iv) in respect to any payments received from a

Hedge Counterparty pursuant to paragraph (d) above, amounts received by the Issuer from the Initial Hedge Counterparty pursuant to an Initial Hedge Agreement, *provided* that in no event shall Sterling Interest Proceeds include the €20,000 of capital contributed to the Issuer by the owners of the Issuer's ordinary shares in accordance with the Issuer's Articles of Incorporation. Any determination of the aggregate amount of Sterling Interest Proceeds with respect to any day during a Due Period will include all Sterling Interest Proceeds received by the Issuer from and including the first day of the related Due Period to and including such date of determination and amounts of Sterling Interest Proceeds in respect of a Due Period shall be determined so that amounts already included in respect of a prior Due Period are not included more than once.

"**Sterling Liquidity Payment Account**" means the interest bearing account denominated in Sterling so named of the Issuer held with the Account Bank established as required pursuant to the terms of the Liquidity Facility Agreement.

"**Sterling Payment Account**" means the account so named of the Issuer held with the Account Bank (a) into which amounts denominated in Sterling shall be transferred by the Collateral Administrator on the Business Day prior to each Payment Date out of (to the extent applicable) the other relevant Accounts; and (b) out of which the amounts denominated in Sterling is required to be paid on each Payment Date, each as *provided* pursuant to the Priorities of Payment, shall be paid.

"**Sterling Principal Account**" means the Sterling account so named of the Issuer held with the Account Bank into which all Sterling Principal Proceeds are to be paid.

"**Sterling Principal Proceeds**" means with respect to any Due Period, the sum (without duplication) of:

(a) all payments of principal (including prepayments) received in cash by the Issuer during the related Due Period on the Sterling Collateral Debt Securities purchased by the Issuer and any Sterling denominated Eligible Investments (other than (i) Uninvested Proceeds, (ii) the amounts referred to in paragraph (c) of the definition of Sterling Interest Proceeds and (iii) Trading Gains designated as Sterling Interest Proceeds by the Collateral Manager);

(b) all payments of interest received in cash by the Issuer during the related Due Period on the Sterling Collateral Debt Securities purchased by the Issuer and any Sterling denominated Eligible Investments to the extent such payments constitute proceeds from accrued interest purchased with Sterling Principal Proceeds or with amounts drawn under the Class A1A Notes;

(c) all disposal proceeds received by the Issuer during the related Due Period in respect of Sterling Collateral Debt Securities purchased by the Issuer and Sterling denominated Eligible Investments, including without limitation, amounts received in respect of original issue or market discount, but excluding accrued interest constituting "**Sterling Interest Proceeds**" under paragraphs (a) or (b) of the definition of "**Sterling Interest Proceeds**" and excluding fees and commissions of the type referred to in paragraph (d) below;

(d) all facility or other up front fees or other similar fees payable to the Issuer in relation to a Sterling Collateral Debt Security (save for those set out in paragraph (i) below and paragraph (e) of the definition of "**Sterling Interest Proceeds**");

(e) all call, redemption and prepayment premiums received in cash by the Issuer during such Due Period on the Sterling Collateral Debt Securities purchased by the Issuer and any Sterling denominated Eligible Investments;

(f) all interest accrued received in cash realised by the Issuer on any Sterling Collateral Debt Security to the date of acquisition thereof by the Issuer and purchased with Sterling Principal Proceeds or with amounts drawn under the Class A1A Notes;

(g) any other amounts received in Sterling (including, without limitation, recovery receipts but excluding any proceeds from the termination of any Hedge Agreements) by the Issuer during the relevant Due Period which are not included in the definition of "**Sterling Interest Proceeds**" and including for the avoidance of doubt, any Sterling amounts received by the Issuer from the Initial Hedge Counterparty pursuant to any Initial Hedge Agreement during the related Due Period;

(h) any scheduled principal payments denominated in Sterling in respect of Securities Lending Collateral after the occurrence of an event of default under the related Securities Lending Agreement, but excluding any scheduled principal payments in respect of a loaned Sterling Collateral Debt Security as to which an event of default under the related Securities Lending Agreement has occurred and is continuing;

(i) all fees or commissions, or other compensation received in cash, in connection with a workout or restructuring of any Sterling denominated Defaulted Security; and

(j) the amount standing to the credit of all Sterling Accounts other than the Sterling Expense Account on the last Business Day of the Due Period ending immediately prior to the Redemption Date or Maturity Date,

provided that (i) in no event shall Sterling Principal Proceeds include Euro Principal Proceeds (ii) in no event shall Sterling Principal Proceeds include any amounts standing to the credit of the Issuer Dutch Account, (iii) prior to enforcement of the security over the Collateral in accordance with Condition 11 (*Enforcement*) in no event shall Sterling Principal Proceeds include any Sale Proceeds denominated in Sterling in respect of any Collateral Enhancement Security which shall instead be credited to the Collateral Enhancement Account, (iv) all Distributions received in Sterling in cash by the Issuer in respect of any Defaulted Security which was a Sterling Collateral Debt Security shall be deemed to be payments of principal except to the extent that the aggregate amount of such Distributions received in cash in respect of such Defaulted Security exceeds the principal balance of the Sterling Collateral Debt Security immediately prior to the time it became a Defaulted Security so long as it continues to be a Defaulted Security after the receipt of such Distributions, and (v) all Distributions received in Sterling in cash by the Issuer in respect of an obligation pursuant to which future payments may be required to be made to a counterparty which shall instead be credited to the Sterling Additional Collateral Account. Any determination of the aggregate amount of Sterling Principal Proceeds with respect to any day during a Due Period will include all Sterling Principal Proceeds received by the Issuer from and including the first day of the related Due Period to and including such date of determination and the amount of Sterling Principal Proceeds in respect of a Due Period shall be determined so that amounts already included or included in respect of a prior Due Period are not included more than once.

"**Sterling Unscheduled Principal Proceeds**" means, with respect to any Sterling Collateral Debt Security purchased by the Issuer, Sterling principal repayments prior to the Stated Maturity thereof received as a result of optional redemptions, prepayments above scheduled amortisations or Offers and Distributions denominated in Sterling and amounts received upon the liquidation of any Synthetic Security Collateral in the event that the Synthetic Security or the Synthetic Security Obligor's security interest was subject to an early termination other than by the Issuer or the Collateral Manager on its behalf.

"**Structured Finance Security**" means any debt security which is secured directly, or represents the ownership of, a pool of consumer receivables, auto loans, auto leases, equipment leases, home or commercial mortgages, corporate debt or sovereign debt obligations or similar assets, including, without limitation, collateralised bond obligations or any similar security. For the avoidance of doubt, a CLO Security shall not be classified as a Structured Finance Security.

"**Subordinated Administrative Expenses**" means all Administrative Expenses other than Senior Administrative Expenses.

"**Subordinated Collateral Management Fee**" means the sum of (i) the fee payable to the Collateral Manager on each Payment Date pursuant to the Collateral Management Agreement, equal to 0.40 per cent. per annum (calculated on the basis of a 360 day year and the actual number of days elapsed in such Due Period) of the daily weighted average aggregate of the Principal Balances of the Collateral Debt Securities during the Due Period ending immediately preceding such Payment Date and (ii) any value added tax in respect thereof (whether payable to the Collateral Manager or directly to the relevant taxing authority).

"**Subordinated Hedge Termination Payment**" means any amount payable by the Issuer to a Hedge Counterparty upon termination of any Hedge Agreement in whole following the occurrence of an "**Event of Default**" or "**Termination Event**" (each as defined in such Hedge Agreement) under which the Hedge Counterparty was the sole "**Defaulting Party**" or the sole "**Affected Party**" (each such term as defined in such Hedge Agreement).

"**Subordinated Trustee Fees**" means all Trustee Fees other than Senior Trustee Fees.

"**Subordinated Unsecured Loan**" means a subordinated unsecured loan obligation as determined by the Collateral Manager in its reasonable commercial judgement or a Participation thereof.

"**Synthetic Security**" means any Euro (or predecessor currency of those EU Member States which have adopted the Euro as their currency) or Sterling denominated swap transaction, debt security, security issued by a trust or similar vehicle or other investment (excluding any equity investment) purchased from or entered into by the Issuer with a Synthetic Security Obligor and that satisfies the Eligibility Criteria, which investment contains a probability of default, recovery upon default (or a specified percentage thereof, which may not exceed 100 per cent.) and expected loss characteristics similar to those of the related Reference Obligation or Reference Obligor (without taking account of such default or recovery considerations as they relate to the Synthetic Security Obligor) but which may provide for a different maturity, interest rate, interest rate reference, currency or credit or other non-credit related characteristics than such Reference Obligation; *provided* that:

(a) the acquisition, ownership, termination or disposition of such Synthetic Security will not subject the Issuer to tax on a net income basis;

(b) amounts receivable by the Issuer will not be subject to withholding tax unless the Synthetic Security or the Reference Obligor is required to make "gross up" payments that cover the full amount of any such withholding tax;

(c) such Synthetic Security will not constitute a commodity option, leverage transaction or futures contract that is subject to the jurisdiction of the U.S. Commodities Futures Trading Commission;

(d) such Reference Obligation comprised in a Synthetic Security, if physically deliverable to the Issuer, is not a Dutch Ineligible Security;

(e) such Synthetic Security is not a Synthetic Security whose exposure is to a credit default swap with, or purchasing a credit linked note, from a protection buyer in relation to a pool of corporate names and at the same time such protection buyer also provides protection through single-name credit default swaps or portfolio credit default swaps which are in relation to that pool or corporate names or a bespoke synthetic collateralised debt obligation;

(f) such Synthetic Security will not require the Issuer to make any payment to the Synthetic Security Obligor after the initial purchase thereof by the Issuer other than the delivery or payment to the Synthetic Security Obligor of any Synthetic Security Collateral pledged in accordance with the terms thereof and *provided* that any obligations of the Issuer thereunder are limited to such Synthetic Security Collateral;

(g) where such Synthetic Security is unfunded, it contains limited recourse provisions (with recourse being to the Synthetic Security Collateral only) and non-petition provision in each case (save as provided in this paragraph (f)) in substantially the same form as those set out in Condition 4(c) (*Limited Recourse and Non-Petition*);

(h) there is only one Reference Obligation comprised in such Synthetic Security and the deliverable obligation pursuant to such Synthetic Security will be the Reference Obligation.

For the purposes of the Coverage Tests, the Reinvestment Criteria, the Reinvestment OC Test and the Collateral Quality Tests, a Synthetic Security shall be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation, unless otherwise specified by Fitch and S&P.

For the purposes of determining the Fitch Rating or S&P Rating of a Synthetic Security, the Synthetic Security shall have the rating derived by application of the definitions of "**Fitch Rating**" (unless otherwise specified by Fitch) or "**S&P Rating**".

A Synthetic Security shall be included as a Collateral Debt Security having the relevant characteristics of the related Reference Obligation (and the issuer of such Synthetic Security shall be deemed to be the issuer

of the related Reference Obligation) and not of the Synthetic Security, unless otherwise specified by Fitch and S&P.

The interest rate or spread of a floating rate Synthetic Security, expressed as a percentage and annualised, which is the current stated interest rate or, as the case may be, periodic spread over EURIBOR, or LIBOR if denominated in Sterling, scheduled to be received by the Issuer from the related Synthetic Security Obligor.

The entry into any Synthetic Security will be subject to Rating Agency Confirmation. At the time Rating Agency Confirmation is given, the Rating Agencies shall also confirm whether they agree with the Issuer's designation of the Synthetic Security entered into or acquired as a Bank Loan, a Mezzanine Loan, a Second Lien Loan, a Special Debt Security or a CLO Security.

"**Synthetic Security Collateral**" means any assets which are Eligible Investments which may be sold at any time without market risk (*provided* that if any credit protection payments to be paid under the Synthetic Securities can only be paid on the maturity date of such Eligible Investments then such Eligible Investments may bear market risk), comprising collateral required to be delivered by the Issuer as security for its obligations to any Synthetic Security Obligor under any Synthetic Security pursuant to the terms thereof. References to the price payable upon the acquisition of or entry into a Synthetic Security acquired or entered into by the Issuer on an unfunded basis shall be deemed to be the aggregate principal amount of Synthetic Security Collateral required to be delivered by the Issuer to the applicable Synthetic Security Obligor.

"**Synthetic Security Obligor**" means any counterparty required to make payments to the Issuer under a Synthetic Security pursuant to the terms of such Synthetic Security or any guarantor of any such entity or, in the case of a Synthetic Security that represents an ownership interest in one or more assets held by the issuer of such Synthetic Security, any entity required to make payments on any such asset, *provided* that in the case of any Synthetic Security which is a derivatives transaction, such counterparty has the regulatory capacity as a matter of Dutch law to enter in such derivatives transactions with Dutch residents.

"**TARGET Business Day**" means any day on which the TARGET System is open for business.

"**Target Date**" means the earlier of (a) 18 January 2008 and (b) the date specified as such by the Collateral Manager in accordance with the terms of the Collateral Management Agreement.

"**Target Date Rating Downgrade**" means either (a)(i) the initial ratings of the Senior Notes and the other Rated Notes are downgraded or withdrawn by the Rating Agencies or (ii) either of the Rating Agencies notifies the Issuer or the Collateral Manager on behalf of the Issuer that such Rating Agency intends to downgrade or withdraw its initial ratings of the Senior Notes and the other Rated Notes, in each case, upon request for confirmation thereof to the Rating Agencies by the Collateral Manager, acting on behalf of the Issuer, following the Target Date; or (b) the Rating Agencies do not provide a Rating Agency Confirmation with respect to the plan of acquisition of the Collateral Debt Securities provided by the Collateral Manager following the failure to meet the Target Date Rating Requirements on the Target Date by the immediately following Determination Date.

"**Target Date Rating Requirements**" means as of the Target Date, (a) each of the Collateral Quality Tests, the Coverage Tests and paragraph (c) of the Eligibility Criteria are satisfied on such date; and (b) the aggregate of the Principal Balances of the Collateral Debt Securities is at least 99.5 per cent. of the Target Par Amount, and for the purposes of determining the aggregate Principal Balances of the Collateral Debt Securities in connection with the Target Par Amount, any prepayments or repayments of the Collateral Debt Securities after the Issue Date shall be disregarded and the Sterling amounts of any Sterling Collateral Debt Securities shall be converted into Euro at the Issue Date Spot Rate.

"**Target Par Amount**" means €300,000,000.

"**TARGET System**" means the Trans European Automated Real Time Gross Settlement Express Transfer System (or, if such clearing system ceases to be operative, such other clearing system (if any) determined by the Trustee to be a suitable replacement).

A "**Tax Event**" shall occur if (a) the Issuer satisfies the Trustee that it has or will, on the next Payment Date, become obliged to withhold or deduct for or on account of tax in The Netherlands from any payments

on or in respect of the Notes or any Class of Notes or (b) a taxing authority or court of competent jurisdiction renders a determination that the Issuer is engaged in a trade or business in the United Kingdom and in both instances, the Issuer has certified to the Trustee that a substitution, relocation and/or other reasonable measures would fail to remedy such event or cannot be implemented by the next Payment Date to remedy such tax event.

"**Total Commitments**" has the meaning ascribed thereto in the Class A1A Note Purchase Agreement.

"**Total Outstandings**" has the meaning ascribed thereto in the Class A1A Note Purchase Agreement.

"**Trading Gains**" means in respect of any Collateral Debt Security which is repaid, prepaid, redeemed or sold, the excess (if any) of (a) the Principal Proceeds received in respect thereof over (b) the purchase price thereof paid by or on behalf of the Issuer for such Collateral Debt Security, in each case net of (i) any expenses incurred in connection with any repayment, prepayment, redemption or sale thereof, and (ii) in the case of a sale of such Collateral Debt Security, any interest accrued but not paid thereon.

"**Transaction Documents**" means the Trust Deed, each Note, the Agency Agreement, the Subscription and Placement Agreement, the Collateral Acquisition Agreements, the Collateral Management Agreement, the Collateral Administration Agreement, the Management Agreement, the Bank Account Agreement, the Hedge Agreements, the Class A1A Note Purchase Agreement, the Liquidity Facility Agreement, any Additional Security Documents, any Securities Lending Agreements, the Euroclear Pledge Agreement and any other agreement or deed entered into pursuant to any of them or agreed between the relevant parties to be a Transaction Document for the purposes of this definition.

"**Trustee Fees**" means the fees and expenses and other amounts payable to the Trustee pursuant to the Trust Deed from time to time plus any VAT due and payable in respect thereof.

"**Underlying Instrument**" means the trust deed, indenture, fiscal agency agreement or other agreement or instrument pursuant to which a Collateral Debt Security has been issued or created and each other agreement that governs the terms of, or secures the obligations represented by, such Collateral Debt Security or under which the holders or creditors under such Collateral Debt Security are the beneficiaries.

"**Undrawn Amount**" means with respect to the Class A1A Notes, an amount equal to the greater of (a) zero and (b) the difference between the Total Commitments and the Total Outstandings.

"**Uninvested Proceeds**" means, at any time, the net proceeds received by the Issuer on the Issue Date from the issuance of the Notes to the extent such proceeds are held in cash or Eligible Investments, have not previously been invested in Collateral Debt Securities and have not previously become Euro Principal Proceeds pursuant to paragraph (c) of the definition of "**Euro Principal Proceeds**".

"**Unscheduled Principal Proceeds**" means, Sterling Unscheduled Principal Proceeds or Euro Unscheduled Principal Proceeds (as applicable).

"**VAT**" means value added tax as provided for in the Value Added Tax Act 1994 and any tax similar or equivalent to value added tax imposed by any country other than the United Kingdom and any similar or turnover tax replacing or introduced in addition to any of the same.

2. Form and Denomination, Title and Transfer

(a) *Form and Denomination*: Each Class of Notes (other than the Class A1A Notes) will initially be represented by one or more Global Notes in fully registered form, without interest coupons or principal receipts attached, in the applicable Minimum Denomination and integral multiples in excess thereof of the applicable Authorised Denomination. A Definitive Note will be issued to each Noteholder in exchange for its beneficial interest in a Global Note only in the limited circumstances set forth in the Trust Deed. Each Definitive Note other than a Class A1A Note will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") which the Issuer shall procure will be kept by the Registrar.

Each Class A1A Note issued pursuant to Regulation S will be represented by a Class A1A Regulation S Definitive Note in fully registered form and each Class A1A Note issued pursuant to Rule 144A will

be represented by a Class A1A Rule 144A Definitive Note, without interest coupons, or principal receipts attached, in the applicable Minimum Denomination and integral multiplies in excess thereof of the applicable Authorised Denomination will be numbered serially with an identifying number which will be recorded in the Capital Commitment Register which the Issuer shall procure will be kept by the Capital Commitment Registrar.

(b) *Title to the Registered Notes*: Title to the Notes (other than the Class A1A Notes) passes upon registration of transfers in respect thereof in the Register in accordance with the provisions of the Agency Agreement and the Trust Deed and in the case of the Class A1A Notes, passes upon registration of transfers in respect thereof in the Capital Commitment Register in accordance with the provisions of the Agency Agreement, the Trust Deed and the Class A1A Note Purchase Agreement, which Capital Commitment Register will be held outside the United Kingdom. Notes will be transferable only on the books of the Issuer and its agents. The registered holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder. An up to date copy of the Register and the Capital Commitment Register shall be held at the registered office of the Issuer and if there are any inconsistencies between the copy of the Register held by the Registrar or the Capital Commitment Register held by the Capital Commitment Registrar and the copy of the Register or Capital Commitment Register held at the registered office of the Issuer, the former shall prevail.

(c) *Transfer*: Subject to the other conditions set forth herein, transfers of a Global Note shall be limited to transfers of such Global Note, in whole, but not in part, to nominees of Euroclear, Clearstream, Luxembourg, or DTC (the "**Clearing Systems**") or to a successor of the Clearing Systems or such successor's nominee. Definitive Notes may be transferred in whole or in part in nominal amounts equal to the applicable Minimum Denomination and integral multiples of the applicable Authorised Denomination in excess thereof only upon the surrender, at the specified office of the Registrar or any Transfer Agent, of the Definitive Note(s) to be transferred, with the form of transfer endorsed on such Definitive Note duly completed and executed and together with the relevant form of transfer certificate as specified in the Trust Deed and such other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Definitive Note, a new Definitive Note will be issued to the transferee in respect of the part transferred and a further new Definitive Note in respect of the balance of the holding not transferred will be issued to the transferor. The Class A1A Definitive Notes may only be transferred subject to and in accordance with the requirements of the Class A1A Note Purchase Agreement including the requirement that the transferee meets the Rating Requirements.

(d) *Delivery of New Certificates*: Each new Definitive Note to be issued pursuant to Condition 2(c) (*Transfer*) will be available for delivery within five Business Days of receipt of such form of transfer or of surrender of an existing Definitive Note upon partial redemption. Delivery of new Definitive Note(s) shall be made at the specified office of the Transfer Agent or of the Registrar, as the case may be, to whom delivery or surrender shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer or otherwise in writing, shall be mailed by pre-paid first class post at the risk of the holder entitled to the new Definitive Note to such address as may be so specified. In this Condition 2(d) (*Delivery of New Certificates*), "**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Transfer Agent and the Registrar.

(e) *Transfer Free of Charge*: Transfer of Global Notes and Definitive Notes in accordance with these Conditions on registration or transfer will be effected without charge by or on behalf of the Issuer, the Registrar, the Capital Commitment Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Issuer, the Registrar, the Capital Commitment Registrar or the relevant Transfer Agent may require in respect thereof) of any tax or other governmental charges which may be imposed in relation to it.

(f) *Closed Periods*: No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 calendar days ending on the due date for redemption (in full) of that Note or (ii) during the period of 15 calendar days ending on (and including) any Payment Date.

(g) *Regulations Concerning Transfer and Registration*: All transfers of Notes (other than the Class A1A Notes) and entries on the Register will be made subject to the detailed regulations concerning the

transfer of Notes set forth in the Trust Deed and Agency Agreement, including without limitation, that a transfer of Notes in breach of certain of such regulations may result in such Notes being required to be sold. All transfers of the Class A1A Notes and entries on the Capital Commitment Register will be made subject to the regulations concerning transfer of Notes set forth in the Class A1A Note Purchase Agreement, the Trust Deed and the Agency Agreement. The regulations may be changed by the Issuer in any manner which is reasonably required by the Issuer (with the consent of the Trustee) to reflect changes in legal requirements or in any other manner which, in the opinion of the Issuer (with the consent of the Trustee), is not prejudicial to the interests of the holders of the relevant Class of Notes. A copy of the current regulations will be available at the office of the Irish Paying Agent, the Registrar or, as the case may be, the Capital Commitment Registrar and will be sent by the Registrar or, as the case may be, the Capital Commitment Registrar to any Noteholder who so requests. In addition, each investor acquiring an interest in a Global Note will be deemed to have represented to the Issuer and the Trustee that such investor will not transfer such interest except in compliance with the transfer restrictions set forth in the Trust Deed.

3. Status

(a) *Status*: The Notes of each Class constitute direct, general, secured, unconditional obligations of the Issuer, recourse in respect of which is limited in the manner described in Condition 4(c) (*Limited Recourse and Non-Petition*). The Notes of each Class are secured in the manner described in Condition 4 (*Security*) and, within each Class, shall at all times rank *pari passu* and without any preference amongst themselves.

(b) *Relationship Among the Classes*: The Notes of each Class are constituted by the Trust Deed and secured on the Collateral as further described in the Trust Deed. Payments of principal and interest on each Class of Notes will rank *pari passu* in right of payment amongst such Class of Notes. Payments of interest and principal of the Notes will be made in accordance with the order of priority of payments in this Condition 3 (*Status*) or Condition 11 (*Enforcement*).

Save to the extent provided otherwise in these Conditions:

(i) no amount of principal (for the avoidance of doubt, excluding Class B Deferred Interest) in respect of the Class B Notes shall become due and payable until redemption or repayment, as applicable, in full of the Senior Notes;

(ii) no amount of principal (for the avoidance of doubt, excluding Class C Deferred Interest) in respect of the Class C Notes shall become due and payable until redemption or repayment, as applicable, in full of the Senior Notes and the Class B Notes;

(iii) no amount of principal (for the avoidance of doubt, excluding Class D Deferred Interest) in respect of the Class D Notes shall become due and payable until redemption or repayment, as applicable, in full of the Senior Notes, the Class B Notes and the Class C Notes;

(iv) no amount of principal (for the avoidance of doubt, excluding Class E Deferred Interest) in respect of the Class E Notes shall become due and payable until redemption or repayment, as applicable, in full of the Senior Notes, the Class B Notes, the Class C Notes and the Class D Notes; and

(v) no amount of principal in respect of the Class N Notes shall become due and payable or be paid until redemption or repayment, as applicable, in full of each of the other Classes of Notes.

(c) *Priorities of Payment*: The Collateral Administrator shall, on behalf of the Issuer, on each Payment Date (save for any Redemption Date applicable to the redemption of the Notes pursuant to Condition 7(b) (*Optional Redemption*)) prior to the delivery of an Enforcement Notice disburse Interest Proceeds and Principal Proceeds in accordance with the Priorities of Payment in paragraphs (i) and (iii) below respectively, and on each other date (save for any Redemption Date) prior to the delivery of an Enforcement Notice disburse Interest Proceeds and Principal Proceeds in accordance with the Priorities of Payments in paragraphs (ii) and (iv) below, respectively, in each case subject to the provisions of paragraph (v) below and as calculated by the Collateral Administrator pursuant to the terms of the Collateral Administration Agreement:

(i) *Application of Interest Proceeds on Payment Dates*: Euro Interest Proceeds and Sterling Interest Proceeds in respect of a Due Period (to the extent not paid as set out in Condition 3(c)(ii)

(*Application of Interest Proceeds between Payment Dates*)) shall be paid on the Payment Date immediately following such Due Period as follows (with payments to be made from Euro Interest Proceeds for amounts denominated in Euro and payments to be made from Sterling Interest Proceeds for amounts denominated in Sterling in each case subject to Condition 3(c)(v) (*FX Conversion*)):

(A) to the payment of taxes owing and unpaid by the Issuer (other than Dutch corporate income tax in relation to the amounts equal to the minimum profit referred to below), as certified by an Authorised Officer of the Issuer to the Trustee, if any (save for any value added tax payable in respect of any Collateral Management Fee); and to the payment of amounts equal to the minimum profit to be retained by the Issuer for Dutch tax purposes, for deposit into the Issuer Dutch Account from time to time, if any;

(B) to the payment of accrued and unpaid Senior Trustee Fees payable to the Trustee pursuant to the Trust Deed;

(C) to the payment of Senior Administrative Expenses;

(D) to the payment, on a *pro rata* basis, of (i) any Hedge Payment Amounts; and (ii) any Liquidity Payments due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than those amounts payable under the Liquidity Facility Agreement which are to be treated as Administrative Expenses);

(E) to the Collateral Manager of the Base Collateral Management Fee due and payable on such Payment Date;

(F) to the payment on a *pro rata* basis of:

(1) the Class A1A Interest Amount due and payable on the Class A1A Notes in respect of the Class A1A Notes Interest Period ending on such Payment Date, together with any unpaid interest due and payable under the Class A1A Notes and any amounts in respect of the Commitment Fee and Break Costs due and payable by the Issuer under the Class A1A Notes (but excluding any Class A1A Increased Margin); and

(2) the Interest Amounts due and payable on the Class A1B Notes in respect of the Interest Accrual Period ending on such Payment Date;

(G) to the payment of the Interest Amounts due and payable on the Class A2 Notes in respect of the Interest Accrual Period ending on such Payment Date *pro rata*;

(H) if there is a Sterling Funding Mismatch, after taking account of the amounts payable under Condition 3(c)(i)(A) to (G) (inclusive), an amount equal to 75 per cent. of the remaining Interest Proceeds in repayment of the Sterling Drawings (on a *pro rata* basis), in whole or in part, to the extent necessary to cure any Sterling Funding Mismatch;

(I) in the event that any of the Senior Coverage Tests (as calculated by the Collateral Administrator) are not satisfied on the immediately preceding Determination Date, in redemption or repayment, as applicable, of the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method, to the extent necessary to cause each of the Senior Coverage Tests to be met if recalculated following such redemption or repayment;

(J) to the payment of the Interest Amounts due and payable on the Class B Notes in respect of the Interest Accrual Period ending on such Payment Date (but excluding any Class B Deferred Interest) *pro rata*;

(K) to the payment of the Class B Deferred Interest *pro rata*;

(L) in the event that the Class B Overcollateralisation Ratio Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Determination Date, in redemption or repayment, as applicable, of the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption

or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, in each case, to the extent necessary to cause the Class B Overcollateralisation Ratio Test to be met if recalculated following such redemption or repayment;

(M) to the payment of the Interest Amounts due and payable on the Class C Notes in respect of the Interest Accrual Period ending on such Payment Date (other than the Class C Deferred Interest) *pro rata*;

(N) to the payment of the Class C Deferred Interest *pro rata*;

(O) in the event that the Class C Overcollateralisation Ratio Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Determination Date, in redemption or repayment, as applicable, of the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), in whole or in part, in each case, to the extent necessary to cause the Class C Overcollateralisation Ratio Test to be met if recalculated following such redemption or repayment;

(P) to the payment of the Interest Amounts due and payable on the Class D Notes in respect of the Interest Accrual Period ending on such Payment Date (other than Class D Deferred Interest) *pro rata*;

(Q) to the payment of the Class D Deferred Interest *pro rata*;

(R) in the event that the Class D Overcollateralisation Ratio Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Determination Date, in redemption or repayment, as applicable, of the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class D Notes (on a *pro rata* basis), in whole or in part, in each case, to the extent necessary to cause the Class D Overcollateralisation Ratio Test to be met if recalculated following such redemption or repayment;

(S) to the payment of the Interest Amounts due and payable on the Class E Notes in respect of the Interest Accrual Period ending on such Payment Date (other than Class E Deferred Interest) *pro rata*;

(T) to the payment of the Class E Deferred Interest *pro rata*;

(U) in the event that the Class E Overcollateralisation Ratio Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Determination Date, in redemption or repayment, as applicable, of the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class D Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class E Notes (on a *pro rata* basis), in whole or in part, in each case, to the extent necessary to cause the Class E Overcollateralisation Ratio Test to be met if recalculated following such redemption or repayment;

(V) to the payment of any amount required to be paid to (a) the Euro Expense Account to increase the credit balance thereof to €50,000 or such lesser amount as determined by the Collateral Manager and (b) the Sterling Expense Account to increase the credit balance thereof to £20,000 or such lesser amount as determined by the Collateral Manager, *provided* that no such payment will be made if the Payment Date is also the Maturity Date;

(W) on any Payment Date following the Target Date, in the event of the occurrence of a Target Date Rating Downgrade which is continuing on the Business Day prior to such Payment Date, to redeem or repay, as applicable, the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class D Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class E Notes (on a *pro rata* basis), in whole or in part, or, in each case if earlier, until the Rating Agencies confirm in writing that each such rating is reinstated;

(X) to the payment, if applicable, to any Replacement Collateral Manager of the Replacement Collateral Manager Subordinated Fee due and payable on such Payment Date and thereafter, to the payment of any Replacement Collateral Manager Subordinated Fee due and payable but not paid pursuant to this Condition 3(c)(i)(X) on any prior Payment Date;

(Y) to the payment, on a *pro rata* basis, of accrued and unpaid Class A1A Increased Margin in respect of the Class A1A Notes;

(Z) during the Reinvestment Period, in the event that the Reinvestment OC Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Measurement Date, to transfer to the Principal Collection Account the amount required to cause the Reinvestment OC Test (as calculated by the Collateral Administrator) to be met if recalculated following such transfer;

(AA) after the end of Reinvestment Period, in the event that the Reinvestment OC Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Measurement Date, to redeem or repay, as applicable, the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class D Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class E Notes (on a *pro rata* basis), in whole or in part, in each case, to the extent necessary to cause the Reinvestment OC Test to be met if recalculated following such redemption or repayment;

(BB) at the discretion of the Collateral Manager, during the Reinvestment Period, to transfer such amount as the Collateral Manager may in its discretion determine to the Additional Collateral Account or the Sterling Additional Collateral Account, such amount to be designated for reinvestment in Additional Collateral Debt Securities;

(CC) to the payment of Subordinated Trustee Fees (if any);

(DD) to the payment of Subordinated Administrative Expenses (if any);

(EE) to the payment of any Subordinated Collateral Management Fee due and payable;

(FF) to the payment of any Subordinated Hedge Termination Payments;

(GG) to the payment of any Collateral Manager Termination Amount;

(HH) at the discretion of the Collateral Manager, save for upon the Payment Date on which the Class N Notes are to be redeemed and paid in full, 50 per cent. of the remaining Interest Proceeds in payment into the Collateral Enhancement Account up to a maximum aggregate amount (taking into account all payments into the Collateral Enhancement Account on any prior Payment Date) of €5,000,000 or its equivalent in Sterling;

(II) to the payment, on a *pro rata* basis, to the Class N Noteholders, until the Class N Notes have achieved an Internal Rate of Return of 12 per cent. (taking into account all prior distributions to the Class N Noteholders);

(JJ) after taking account of the amounts payable under Condition 3(c)(i)(A) to (II) (inclusive) and if the Incentive Management Fee Hurdle Rate is achieved, an amount equal to 15 per cent. of the remaining Interest Proceeds to the Collateral Manager by way of an incentive collateral management fee (the "**Incentive Collateral Management Fee**"); and

(KK) any remaining Interest Proceeds, on a *pro rata* basis, to the Class N Noteholders as interest.

(ii) *Application of Interest Proceeds between Payment Dates*: Euro Interest Proceeds and Sterling Interest Proceeds shall be paid as follows on any day other than a Payment Date to the extent that there are available amounts to make such payments in the Interest Collection Account or Sterling Interest Account (after taking account, in respect of any day between the end of a Due Period and the immediately succeeding Payment Date, of amounts required to be paid on the immediately succeeding Payment Date out of the Interest Collection Account or Sterling Interest Account), in the following order of priority (with payments to be made from Euro Interest Proceeds for amounts denominated in Euro and payments to be made from Sterling Interest Proceeds for amounts denominated in Sterling in each case subject to Condition 3(c)(v)(*FX Conversion*)):

(A) to credit the Liquidity Payment Accounts (up to an amount equal to the outstanding principal amount of any Liquidity Drawings and accrued interest thereon as calculated under the Liquidity Facility Agreement in order to permit repayment of any Liquidity Drawings, accrued interest thereon and any other amounts in respect thereof either between Payment Dates or on the next Payment Date);

(B) to the extent that amounts standing to the credit of the Euro Expense Account or Sterling Expense Account from time to time are not sufficient, in payment by the Collateral Administrator on behalf of the Issuer of any Senior Trustee Fees and Senior Administrative Expenses denominated in Euro, or as applicable, Sterling, which have accrued and become payable prior to any Payment Date, to the extent applicable, upon receipt of invoices therefor from the relevant creditor; and

(C) to the payment of any Hedge Payment Amounts in respect of any Hedge Transactions, in respect of each period from (and excluding) the immediately preceding Payment Date to (and including) the immediately succeeding Payment Date.

(iii) *Application of Principal Proceeds on Payment Dates*: Principal Proceeds in respect of a Due Period (to the extent not paid as set out in Condition 3(c)(iv) (*Application of Principal Proceeds between Payment Dates*)) shall be paid on the Payment Date immediately following such Due Period as follows (with (i) payments to be made from Euro Principal Proceeds for amounts denominated in Euro and payments to be made from Sterling Principal Proceeds for amounts denominated in Sterling, in each case subject to Condition 3(c)(v) (*FX Conversion*) and (ii) for this purpose, amounts standing to the credit of the Euro Principal Reserve Account on the preceding Payment Date and the amounts credited to the Euro Principal Reserve Account on the same Payment Date pursuant to Condition 3(c)(v) (*FX Conversion*) and not required to be utilised pursuant to Condition 3(c)(v)(D)(3) on such Payment Date being deemed to constitute Principal Proceeds):

(A) to the payment of the amounts referred to in Condition 3(c)(i) (A) to (H) (inclusive) above, in each case in the order of priority set out therein, but only to the extent not paid in full thereunder;

(B) after the application of Interest Proceeds pursuant to Condition 3(c)(i)(I) above, in the event that any of the Senior Coverage Tests (as calculated by the Collateral Administrator) are not satisfied on the immediately preceding Determination Date, in redemption or repayment, as applicable, of the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method, to the extent necessary to cause each of the Senior Coverage Tests to be met if recalculated following such redemption or repayment;

(C) to the payment of the amounts referred to in Condition 3(c)(i)(J) above, but only to the extent not paid in full thereunder;

(D) after the application of Interest Proceeds pursuant to Condition 3(c)(i)(L) above, in the event that the Class B Overcollateralisation Ratio Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Determination Date, in redemption or repayment, as applicable, of the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, in each case, to the extent necessary to cause the Class B Overcollateralisation Ratio Test to be met if recalculated following such redemption or repayment;

(E) to the payment of the amounts referred to in Condition 3(c)(i)(M) above, but only to the extent not paid in full thereunder;

(F) after the application of Interest Proceeds pursuant to Condition 3(c)(i)(O) above, in the event that the Class C Overcollateralisation Ratio Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Determination Date, in redemption or repayment, as applicable, of the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), in whole or in part, in each case, to the extent necessary to cause the Class C Overcollateralisation Ratio Test to be met if recalculated following such redemption or repayment;

(G) to the payment of the amounts referred to in Condition 3(c)(i)(P) above, but only to the extent not paid in full thereunder;

(H) after the application of Interest Proceeds pursuant to Condition 3(c)(i)(R) above, in the event that the Class D Overcollateralisation Ratio Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Determination Date, in redemption or repayment, as applicable, of the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class D Notes (on a *pro rata* basis), in whole or in part, in each case, to the extent necessary to cause the Class D Overcollateralisation Ratio Test to be met if recalculated following such redemption or repayment;

(I) to the payment of the amounts referred to in Condition 3(c)(i)(S) above, but only to the extent not paid in full thereunder;

(J) after the application of Interest Proceeds pursuant to Condition 3(c)(i)(U) above, in the event that the Class E Overcollateralisation Ratio Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Determination Date, in redemption or repayment, as applicable, of the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class D Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class E Notes (on a *pro rata* basis), in whole or in part, in each case, to the extent necessary to cause the Class E Overcollateralisation Ratio Test to be met if recalculated following such redemption or repayment;

(K) to the payment of the amounts referred to in Condition 3(c)(i)(V) above, but only to the extent not paid in full thereunder;

(L) on any Payment Date following the Target Date, in the event of the occurrence of a Target Date Rating Downgrade which is continuing on the Business Day prior to such Payment Date, to redeem or repay, as applicable, the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption or

repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class D Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class E Notes (on a *pro rata* basis), in whole or in part or, in each case if earlier, until the Rating Agencies confirm in writing that each such rating is reinstated;

(M) during the Reinvestment Period (and after the expiry of the Reinvestment Period in the case of certain Unscheduled Principal Proceeds permitted to be reinvested in Additional Collateral Debt Securities pursuant to the terms of the Collateral Management Agreement and Sale Proceeds from Credit Improved Securities, in each case, designated for reinvestment in the following Due Period), save for upon the Payment Date on which the Notes are to be redeemed or repaid in full, *pari passu* (1) to the purchase of Additional Collateral Debt Securities satisfying the Eligibility Criteria, the Reinvestment Criteria and the Additional Reinvestment Criteria as applicable, (2) to payment, where so obliged, of the cost of any Replacement Hedge Agreement and (3) to payment of an amount at the discretion of the Issuer (following recommendation from the Collateral Manager) to the Additional Collateral Account or the Sterling Additional Collateral Account to be designated for reinvestment in Additional Collateral Debt Securities;

(N) during the Reinvestment Period, to the extent such funds are not required to be paid in accordance with Condition 3(c)(iii)(A) to (M) (inclusive) above, at the option of the Collateral Manager on behalf of the Issuer, to the repayment of amounts outstanding under the Class A1A Notes;

(O) to payment in an amount equal to the Special Redemption Amount (if any) applicable to such Payment Date if it is a Special Redemption Date pursuant to Condition 7(d) (*Redemption at the Option of the Collateral Manager*) to redeem or repay, as applicable, the Senior Notes in accordance with the Senior Notes Redemption Method, in whole or in part, and following such redemption or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class D Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class E Notes (on a *pro rata* basis), in whole or in part;

(P) after expiry of the Reinvestment Period, to redeem or repay, as applicable, the Senior Notes in full in accordance with the Senior Notes Redemption Method;

(Q) to the payment of the Class B Deferred Interest *pro rata*;

(R) after expiry of the Reinvestment Period, to redeem in full the Class B Notes *pro rata*;

(S) to the payment of the Class C Deferred Interest *pro rata*;

(T) after expiry of the Reinvestment Period, to redeem in full the Class C Notes *pro rata*;

(U) to the payment of the Class D Deferred Interest *pro rata*;

(V) after expiry of the Reinvestment Period, to redeem in full the Class D Notes *pro rata*;

(W) to the payment of the Class E Deferred Interest *pro rata*;

(X) after expiry of the Reinvestment Period, to redeem in full the Class E Notes *pro rata*;

(Y) to the payment of the amounts referred to in Condition 3(c)(i)(X) and (Y) and (CC) to (GG) above (inclusive), in each case in the order of priority set out therein, but only to the extent not paid in full thereunder;

(Z) to the payment, on a *pro rata* basis, to the Class N Noteholders, until the Class N Notes have received an Internal Rate of Return of 12 per cent. (taking into account all prior distributions to the Class N Noteholders);

(AA) after taking account of the amounts payable under Condition 3(c)(iii)(A) to (Z) (inclusive) and if the Incentive Management Fee Hurdle Rate is achieved, an amount equal to 15 per cent. of the remaining Principal Proceeds to the Collateral Manager by way of Incentive Collateral Management Fee; and

(BB) the remaining Principal Proceeds, on a *pro rata* basis, to the Class N Noteholders.

As used in these Conditions, "**Internal Rate of Return**" means, as of any Payment Date, the annualised discount rate at which the sum of the discounted values of the following cashflows is equal to zero, assuming discounting on the basis of a 360-day year consisting of twelve 30-day months: (1) the aggregate principal amount of the Class N Notes on the Issue Date (which amount will be deemed to be negative for purposes of this calculation), and (2) each distribution or payment on or in respect of the Class N Notes on any prior Payment Date and, to the extent necessary to reach the applicable Internal Rate of Return, on the related Payment Date.

(iv) *Application of Principal Proceeds between Payment Dates*: Euro Principal Proceeds standing to the credit of the Principal Collection Account, the Initial Proceeds Account and the Additional Collateral Account and Sterling Principal Proceeds standing to the credit of the Sterling Principal Account and the Sterling Additional Collateral Account, shall be paid as follows on any day other than a Payment Date to the extent that there are available amounts to make such payments in the relevant Accounts (after taking account, in respect of any day between the end of a Due Period and the immediately succeeding Payment Date, of amounts required to be paid on the immediately succeeding Payment Date out of such Accounts). Payments shall be made from Euro Principal Proceeds for amounts denominated in Euro and payments shall be made from Sterling Principal Proceeds for amounts denominated in Sterling, in each case subject to 3(c)(v) (*FX Conversion*) though for this purpose, amounts standing to the credit of the Euro Principal Reserve Account on the preceding Payment Date (including any amounts credited to the Euro Principal Reserve Account on such Payment Date and not otherwise utilised on such Payment Date) shall be deemed to constitute Principal Proceeds:

(A) at any time up to and including the last day of the Ramp-Up Period in accordance with the terms of, and to the extent permitted under, the Collateral Management Agreement, in the acquisition of Collateral Debt Securities, in each case satisfying the Eligibility Criteria and, if applicable, the Reinvestment Criteria;

(B) upon receipt of Rating Agency Confirmation with respect to the occurrence of the Target Date, all amounts standing to the credit of the Initial Proceeds Account shall be transferred in accordance with the Collateral Administration Agreement to the Additional Collateral Account or the Sterling Additional Collateral Account, *provided* that, in the event that a Target Date Rating Downgrade has occurred and is continuing, amounts standing to the credit of the Initial Proceeds Account will, on the Determination Date falling immediately after the Target Date, be transferred to the Euro Payment Account and shall constitute Euro Principal Proceeds for the purpose of the application of Principal Proceeds pursuant to the Priorities of Payment;

(C) at any time in accordance with the terms of, and to the extent permitted under, the Collateral Management Agreement, in the acquisition of Collateral Debt Securities and/or Additional Collateral Debt Securities, in each case satisfying the Eligibility Criteria and, if applicable, the Reinvestment Criteria and, if applicable, the Additional Reinvestment Criteria or the posting of Synthetic Security Collateral upon the acquisition of any Synthetic Securities by the Collateral Manager, acting on behalf of the Issuer;

(D) during and after the Reinvestment Period, to the extent such funds are not required to be paid in accordance with Condition 3(c)(iv)(A) to (C) (inclusive), at the option of the Collateral Manager on behalf of the Issuer, to the repayment or prepayment of the Class A1A Notes and any accrued interest thereon and Break Costs related thereto;

(E) on any day on which Class A1B Refinancing Notes are issued, in repayment of all amounts outstanding under the Class A1A Notes, together with accrued interest thereon, as provided in the Class A1A Note Purchase Agreement;

(F) at any time, amounts payable by the Issuer upon entry into of a Replacement Hedge Agreement in accordance with the Collateral Management Agreement, unless termination of the Hedge Agreement under which the relevant Hedge Termination Receipts are payable occurs on a Redemption Date, or the Collateral Manager determines not to replace the relevant Hedge Agreement and Rating Agency Confirmation is obtained with respect to such determination; and

(G) at any time, to the payment of any Hedge Termination Payment due and payable to a Hedge Counterparty under a Hedge Agreement being replaced, as referred to in the definition of Hedge Replacement Receipts insofar as it does not exceed the amount of the corresponding Hedge Replacement Receipt.

(v) *FX Conversion*: For the purposes of each of Conditions 3(c)(i) to (iv) (inclusive) Euro Interest Proceeds and Euro Principal Proceeds shall be applied first towards amounts payable in Euro and Sterling Interest Proceeds and Sterling Principal Proceeds shall be applied first towards amounts payable in Sterling and thereafter:

(A) any Sterling Interest Proceeds remaining after the application of Condition 3(c)(i)(H) shall, with the consent of the Collateral Manager (acting on behalf of the Issuer), to the extent that such Sterling Interest Proceeds exceed any Sterling payments which may be required to be made under Conditions 3(c)(i), (I), (L), (O), (R) and (U) (as the case may be) be converted into Euro to the extent that there is insufficient Euro Interest Proceeds then available to meet the same;

(B) any Euro Interest Proceeds remaining after the application of Condition 3(c)(i)(E) shall, with the consent of the Collateral Manager (acting on behalf of the Issuer), be converted into Sterling to the extent of any Sterling payments which may be required to be made under Conditions 3(c)(i), (H), (I), (L), (O), (R) and (U) (as the case may be) and, in respect of which insufficient Sterling Interest Proceeds are then available to meet the same;

(C) any Sterling Principal Proceeds remaining after the application of:

(1) Condition 3(c)(iii)(A) shall, with the consent of the Collateral Manager (acting on behalf of the Issuer) be converted into Euro to the extent of any Euro payments which may be required to be made under Condition 3(c)(i)(A) to (F) (inclusive) to the extent not paid pursuant to Condition 3(c)(v)(A), following the application of the available Euro Interest Proceeds, Sterling Interest Proceeds and Euro Principal Proceeds in respect of the same;

(2) Conditions 3(c)(iii)(B), (D), (F), (H), or (J) shall, with the consent of the Collateral Manager (acting on behalf of the Issuer), be converted into Euro to the extent of any Euro payments which may be required to be made under any of Conditions 3(c)(iii)(B), (C), (D), (E), (F), (G), (H), (I), (J), or (K) respectively and in the priority set out in Condition 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*), in each case following the application of the available Euro Principal Proceeds in respect of the same to the extent not paid; and

(3) Condition 3(c)(iii)(P) shall, with the consent of the Collateral Manager (acting on behalf of the Issuer), be converted into Euro and deposited in the Euro Principal Reserve Account; and

(D) any Euro Principal Proceeds remaining after the application of:

(1) Condition 3(c)(iii)(A) shall, with the consent of the Collateral Manager (acting on behalf of the Issuer), be converted into Sterling to the extent of, and applied in payment of, any Sterling payments which may be required to be made under Conditions 3(c)(i)(A) to (H) (inclusive) following the application of the available Euro Interest Proceeds, Sterling Interest Proceeds and Sterling Principal Proceeds in respect of the same to the extent not paid pursuant to Condition 3(c)(v)(B) above;

(2) Conditions 3(c)(iii) (B), (C), (D), (E), (F), (G), (H), (I), (J), or (K) shall, with the consent of the Collateral Manager (acting on behalf of the Issuer), be converted into Sterling to

the extent of any Sterling payments which may be required to be made under any of Conditions 3(c)(iii) (B), (D), (F), (H) or (J) respectively and in the priority set out in Condition 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*), in each case following the application of the available Sterling Principal Proceeds in respect of the same to the extent not paid; and

(3) Condition 3(c)(iii)(P) shall, with the consent of the Collateral Manager (acting on behalf of the Issuer), be deposited in the Euro Principal Reserve Account.

Any conversion which is required to be made under this Condition 3(c)(v) (*FX Conversion*) shall be made at the Spot Rate or where applicable, in accordance with the hedging procedures as set out in the Collateral Management Agreement.

(d) *Class A1A Notes*: Any reference to any repayment of the Class A1A Notes or to the redemption of the Senior Notes in this Condition 3(c) (*Priorities of Payment*) shall, for the avoidance of doubt, include (i) the cancellation of any Undrawn Amount of the Class A1A Notes and/or (ii) the repayment and cancellation of the Total Outstandings of the Class A1A Notes, in each case, as determined pursuant to the Class A1A Note Purchase Agreement.

(e) *Non-payment of Amounts*: Save in the case of (i) the payment of interest and Commitment Fee on the Senior Notes or, following redemption and payment in full of the Senior Notes, the payment of interest on the Class B Notes, or, following redemption and payment in full of the Senior Notes and the Class B Notes, payment of interest on the Class C Notes, or following redemption and payment in full of the Senior Notes, the Class B Notes and the Class C Notes, payment of interest on the Class D Notes, or following redemption and payment in full of the Senior Notes, the Class B Notes, the Class C Notes and the Class D Notes, payment of interest on the Class E Notes, or (ii) non-payment in full of the principal amount of any Class of Notes on any Redemption Date, the failure on the part of the Issuer to pay any of the amounts referred to in Conditions 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) or 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*) to the Noteholders or otherwise, by reason solely of the fact that there are insufficient funds standing to the credit of the Euro Payment Account or Sterling Payment Account shall not constitute an Issuer Event of Default pursuant to Condition 10 (*Events of Default*).

Subject always, in the case of Interest Amounts payable in respect of the Class B Notes, Class C Notes, Class D Notes and Class E Notes to Condition 6(c) (*Deferral of Interest*), in the event of non-payment of any amounts referred to in Conditions 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) or 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*) of this Condition on any Payment Date (including any Deferred Interest Amount), such amounts shall remain due and shall be payable on each subsequent Payment Date (other than any Payment Date which is a Redemption Date) in the orders of priority provided for in this Condition. References to the amounts referred to in Conditions 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) and 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*) of this Condition shall include any amounts thereof not paid when due in accordance with this Condition on any preceding Payment Date.

(f) *Determination and Payment of Amounts*: The Collateral Administrator will, on each Determination Date, calculate the amounts payable on the applicable Payment Date pursuant to Conditions 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) and 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*) and on any other day, calculate the amounts payable pursuant to Conditions 3(c)(ii) (*Application of Interest Proceeds between Payment Dates*) and 3(c)(iv) (*Application of Principal Proceeds between Payment Dates*) and will notify the Trustee of such amounts. The Collateral Administrator shall, on behalf of the Issuer, not later than 12.00 noon (London time) on the Business Day preceding each Payment Date cause available amounts standing to the credit of the Interest Collection Account, the Principal Collection Account, the Sterling Interest Account, the Sterling Principal Account, the Euro Principal Reserve Account, the Euro Expense Account and the Sterling Expense Account to the extent required to pay the amounts referred to in paragraphs (i) and (iii) of Condition 3(c) (*Priorities of Payment*) which are payable on such Payment Date to be transferred to the Euro Payment Account or, as the case may be, the Sterling Payment Account. The Collateral Administrator shall, on behalf of the Issuer, other than on any Payment Date, cause available amounts standing to the credit of the Collection Accounts, the Initial Proceeds Account, the Additional Collateral Account and the Sterling Additional Collateral Account to the extent required to pay the amounts referred to in paragraphs (ii), and (iv) of Condition 3(c) (*Priorities of Payments*) which are

due and payable to be paid to the person entitled to such payment. The Collateral Administrator will, on each Determination Date, notify the Trustee of any amount payable on the applicable Payment Date to the Class N Noteholders from amounts standing to the credit of the Collateral Enhancement Account and shall procure that the relevant amounts be paid to the Class N Noteholders on such Payment Date.

(g) *De Minimis Amounts*: The Collateral Administrator may, in its absolute discretion, adjust the amounts required to be applied in payment of principal on any Class of Notes from time to time pursuant to the Priorities of Payment so that the amount to be so applied in respect of each such Note is a whole amount, not involving any fraction or, at the discretion of the Collateral Administrator, a cent of a Euro or a pence of a pound Sterling.

(h) *Publication of Amounts*: The Collateral Administrator will cause details as to the amounts of interest and principal paid and any amounts of interest payable but not paid on each Payment Date in respect of the Notes to be notified to the Trustee, the Registrar, the Paying Agents and the Irish Stock Exchange by no later than 11.00 am (London time) on the Business Day following the applicable Determination Date and the Principal Paying Agent shall procure that details of such amounts are notified to the Noteholders of each Class in accordance with Condition 16 (*Notices*) as soon as possible after receipt of notification thereof by the Principal Paying Agent in accordance with the above but in no event later than (to the extent applicable) the second Business Day after the last day of the applicable Due Period.

(i) *Notifications to be Final*: All notifications, opinions, determinations, certificates, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Collateral Manager, the Trustee, the Registrar, the Paying Agents, the Transfer Agents, all Noteholders and the other Secured Parties and (in the absence as referred to above) no liability to the Issuer or the Noteholders shall attach to the Collateral Administrator in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

(j) *Accounts*: The Issuer shall, prior to the Issue Date, establish the Accounts (other than the Stand-by Account and any other account which may be required pursuant to any Hedge Agreements entered after the Issue Date) with the Account Bank.

The Account Bank shall at all times be a financial institution (a) which is not resident in The Netherlands but which has the necessary regulatory capacity to perform the services required of it in The Netherlands and (b) which has a short term senior unsecured and unguaranteed debt rating of at least "F1" from Fitch and "A-1+" from S&P. In the event that the short term senior unsecured and unguaranteed debt of the Account Bank is rated below "F1" by Fitch or "A-1+" by S&P or its short term senior unsecured and unguaranteed debt rating is withdrawn by either Fitch or S&P the Issuer shall use reasonable endeavours to procure that a replacement Account Bank, which is acceptable to the Trustee, is appointed whose short term senior unsecured and unguaranteed debt is rated not less than "F1", by Fitch and "A-1+" from S&P in accordance with the provisions of the Bank Account Agreement.

(k) *Euro*: If the United Kingdom adopts the Euro as its lawful currency, the Trustee, the Collateral Manager, the Principal Paying Agent and the Issuer shall consult with each other to ensure that the Priorities of Payment and any other provisions in the Transaction Documents affected by such change are adjusted to reflect such a change, but any such adjustment shall not affect the actual order of the priorities of payment.

4. Security

(a) *Security*: Pursuant to the Trust Deed, the obligations of the Issuer under the Notes of each Class, the Trust Deed, the Agency Agreement and the Collateral Administration Agreement (together with the obligations owed by the Issuer to the other Secured Parties) are secured by, subject in each case to any prior ranking security specified below:

(i) an assignment by way of first fixed security in favour of the Trustee for the benefit of the Secured Parties of all of the Issuer's right, title, interest and benefit, present and future, in and to the Bank Loans, CLO Securities, Special Debt Securities, Defaulted Equity Securities, Mezzanine Loans, Second Lien Loans, Participations and Participation Agreements, Synthetic Securities, Collateral Enhancement Securities and all other Collateral Debt Securities (where such obligations are

contractual rights) or any of them owned or thereafter acquired by the Issuer from time to time including, without limitation, any of the same acquired by the Issuer in relation to the issue of the Notes or any Further Issue Notes, all moneys received in respect thereof, all dividends and distributions paid or payable thereon, all property paid, distributed, accruing or offered at any time on, to or in respect of or in substitution therefor and the proceeds of sale, repayment and redemption thereof;

(ii) a first fixed charge in favour of the Trustee for the benefit of the Secured Parties over all of the Issuer's right, title, interest and benefit, present and future, in and to the CLO Securities, Special Debt Securities, Defaulted Equity Securities, Collateral Enhancement Securities and all other Collateral Debt Securities (where such obligations are securities), or any of them owned or thereafter acquired by the Issuer from time to time including, without limitation, any of the same acquired by the Issuer in relation to the issue of the Notes or any Further Issue Notes, all moneys received in respect thereof, all dividends and distributions paid or payable thereon, all property paid, distributed, accruing or offered at any time on, to or in respect of or in substitution therefor and the proceeds of sale, repayment and redemption thereof;

(iii) a first fixed charge in favour of the Trustee for the benefit of the Secured Parties over the Issuer's right, title, interest and benefit, present and future, in and to each of the Accounts and any other accounts in which the Issuer may at any time have or acquire (including, without limitation, after the date hereof) any right, title, interest or benefit other than, in each case, any Securities Lending Account (although the charge over (1) the Collateral Enhancement Account shall be for the benefit of the Class N Noteholders only and (2) each Stand-by Account shall be for the benefit of the relevant Class A1A Noteholder only and (3) the Stand-by Liquidity Account shall be for the benefit of the Liquidity Facility Provider only) and all moneys from time to time standing to the credit thereof and the debts represented thereby and including, without limitation, all interest accrued and other moneys received in respect thereof;

(iv) a first fixed charge in favour of the Trustee for the benefit of the Secured Parties over all of the Issuer's right, title, interest and benefit, present and future, in and to any principal, interest and other payments and distributions of cash and other property with respect to the Collateral Debt Securities owned or thereafter acquired by the Issuer from time to time including, without limitation, any of the same acquired by the Issuer in relation to the issue of Notes or any Further Issue Notes;

(v) a fixed charge in favour of the Trustee for the benefit of the Secured Parties over all of the Issuer's right, title, interest and benefit, present and future, in and to any Synthetic Security Collateral owned or thereafter acquired by the Issuer from time to time including, without limitation, any of the same acquired by the Issuer in relation to the issue of the Notes or any Further Issue Notes, in each case ranking only behind any security interest granted in favour of a Synthetic Security Obligor in its capacity as such in relation to any Synthetic Security Collateral;

(vi) a first fixed charge over all the Issuer's right, title, interest and benefit, present and future, in and to the Eligible Investments owned or thereafter acquired by the Issuer from time to time including, without limitation, any of the same acquired by the Issuer in relation to the issue of the Notes or any Further Issue Notes, together with all monies, income and proceeds payable or due to become payable thereunder and all interest accruing thereon from time to time (although the charge over (1) any Eligible Investments acquired with the amounts standing to the credit of any Stand-by Account shall be charged in favour of the Trustee for the benefit of the relevant Class A1A Noteholder only and (2) any Eligible Investments acquired with the amounts standing to the balance of any Stand-by Liquidity Account shall be charged in favour of the Trustee for the benefit of the Liquidity Facility Provider only);

(vii) a first fixed charge and first priority security interest (where the applicable assets are securities) over, or an assignment by way of security (where the applicable rights are contractual obligations) of, all rights of the Issuer in respect of, any Securities Lending Collateral standing to the credit of the Securities Lending Account including, without limitation, all moneys received in respect thereof, all dividends and distributions paid or payable thereon, all property paid, distributed, accruing or offered at any time on, to or in respect of or in substitution therefor and the proceeds of sale, repayment and redemption thereof and over the Securities Lending Account and all moneys from time to time standing to the credit of the Securities Lending Account and the debts

represented thereby, subject, in each case, to the rights of any Securities Lending Counterparty to require repayment or redelivery of any such Securities Lending Collateral pursuant to the terms of the applicable Securities Lending Agreement;

(viii) a first fixed charge in favour of the Trustee for the benefit of the Secured Parties over the Custody Account (including, without limitation, each cash account relating to the Custody Account, any cash held therein and the claim represented by the positive balance from time to time of the Custody Account);

(ix) (A) an assignment by way of first fixed security to the Trustee for the benefit of the Secured Parties of the Issuer's right, title, interest and benefit, present and future, in and to and under (a) each Hedge Agreement, (b) any amendment or supplement thereto (including, without limitation, any amendment or supplement entered into thereafter) and (c) any guarantee or credit support annex or deed entered into pursuant to any Hedge Agreement or any amendment or supplement thereto (including, without limitation, any amendment or supplement thereto entered into thereafter)), *provided* that such assignment by way of security shall not in any way restrict the release of collateral granted thereunder in whole or in part at any time pursuant to the terms of any Hedge Agreement; and (B) a fixed charge over all of the Issuer's right, title, interest and benefit, present and future, in and to any collateral provided now or from time to time thereafter to the Issuer (including, without limitation, any of the same provided to the Issuer in connection with the issue of the Notes or any Further Issue Notes) under each Hedge Agreement and any amendment or supplement thereto (including, without limitation, any amendment or supplement thereto entered into thereafter);

(x) an assignment by way of first fixed security to the Trustee for the benefit of the Secured Parties of the Issuer's right, title, interest and benefit, present and future, under the Collateral Management Agreement, the Collateral Administration Agreement, each Collateral Acquisition Agreement, each Securities Lending Agreement, the Liquidity Facility Agreement and each other Transaction Document (other than the Trust Deed) including, without limitation in each case any amendment or supplement thereto (including, without limitation, any amendment or supplement entered into thereafter) and any other agreement or document to which the Issuer is party, or to which it is, or may at any time be, expressed to have the benefit of or to have any rights under or to have any other rights to or interests in (including, without limitation, any agreement or document entered into thereafter or to which the Issuer becomes a party or has the benefit of or any rights under or rights or interests in thereafter) unless otherwise charged by the Issuer under the Trust Deed including, without limitation, any of the same entered into or arising in relation to the issue of the Notes or any Further Issue Notes;

(xi) a first fixed charge in favour of the Trustee for the benefit of the Secured Parties over the Issuer's right, title, interest and benefit, present and future, in and to all money from time to time held by the Registrar or any Paying Agent or any Transfer Agent or Capital Commitment Registrar for the payment of principal or interest on the Notes;

(xii) a first fixed charge over all of the Issuer's rights in respect of any other deposit made or security or investment purchased from time to time from amounts standing to the credit of the Accounts or the Custody Account that are not subject to the security interests referred to in paragraphs (i) to (xi) (inclusive) above (being "**non-eligible investments**"), in which the Issuer may at any time acquire or otherwise obtain an interest or benefit, including, without limitation, in each case, all moneys received in respect thereof, all dividends and distributions paid or payable thereon, all property paid, distributed, accruing or offered at any time on, to or in respect of, or in substitution therefor and the proceeds of sale, repayment and redemption thereof; and

(xiii) to the extent permitted by applicable laws, a first floating charge granted over the whole of the Issuer's property, undertaking and assets whatsoever and wheresoever situate, present and future, to the extent such property, undertaking and assets are not subject to any other security created under the Trust Deed;

excluding for the purpose of (i) to and including (xiii) above, (A) any and all assets, property or rights which are located in, or governed by the laws of, The Netherlands (except for contractual rights or receivables (*rechten of vorderingen op naam*) which are assigned or charged to the Trustee pursuant to (i) to (xiii) (inclusive) above); (B) any and all Dutch Ineligible Securities; (C) the Issuer's rights under

the Management Agreement; (D) the Issuer's rights in respect of and any and all amounts standing to the credit of the Issuer Dutch Account.

Security is created by the Issuer pursuant to the Euroclear Pledge Agreement over any Collateral Debt Securities, Collateral Enhancement Securities, Defaulted Equity Securities and Eligible Investments held in Euroclear.

The Issuer may also from time to time enter into Additional Security Documents to perfect any security granted by the Issuer to the Trustee pursuant to the Trust Deed.

(b) *Application of Proceeds upon Enforcement*: The Trust Deed provides that the net proceeds of realisation of, or enforcement with respect to, the security over the Collateral constituted by the Trust Deed and the Euroclear Pledge Agreement shall be applied in accordance with the Priorities of Payment specified in Condition 11 (*Enforcement*).

(c) *Limited Recourse and Non-Petition*: If the net proceeds of realisation of the security constituted by the Trust Deed and the Euroclear Pledge Agreement upon enforcement thereof in accordance with Condition 11 (*Enforcement*) and the provisions of the Trust Deed and the Euroclear Pledge Agreement are less than the aggregate amount payable in such circumstances by the Issuer in respect of the Notes and to the other Secured Parties (such negative amount being referred to herein as a "**shortfall**"), the obligations of the Issuer in respect of the Notes of each Class and its obligations to the other Secured Parties in such circumstances will be limited to the net proceeds of realisation of the security constituted by the Trust Deed and the Euroclear Pledge Agreement which shall be applied in accordance with the Priorities of Payment. In such circumstances the other assets (if any) of the Issuer (including amounts standing to the credit of the Issuer Dutch Account and the rights of the Issuer under the Management Agreement) will not be available for payment of such shortfall which shall be borne by the Secured Parties in accordance with the Priorities of Payment (applied in reverse order), the rights of the Secured Parties to receive any further amounts in respect of such obligations shall be extinguished and none of the Noteholders of each Class or the other Secured Parties may take any further action to recover such amounts. None of the Noteholders of any Class and the other Secured Parties (nor any other person acting on behalf of any of them), except for the Trustee, shall be entitled, until the expiry of one year and one day from but excluding the date of redemption of the latest maturing Note, to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganisation, arrangement, insolvency, moratorium, controlled management, winding-up or liquidation proceedings or other proceedings under any applicable bankruptcy or similar law in connection with any obligations of the Issuer relating to the Notes of any Class, the Trust Deed or otherwise owed to the Secured Parties, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

The liabilities upon the Issuer to make any payments of interest or principal on the Notes or of any amounts to any other Secured Parties shall be extinguished once all liquidation proceeds from the Collateral has been distributed in accordance with the Priorities of Payment.

(d) *Information Regarding the Portfolio*: The Issuer shall procure that a Monthly Report and Noteholder Valuation Report is made available upon publication thereof through a specifically designated website to the Trustee and to each Noteholder of each Class upon request in writing therefor.

(e) *Securities Lending*: The Collateral Manager, acting on behalf of the Issuer pursuant to the Collateral Management Agreement, may, in its discretion and from time to time and on a limited basis, enter into one or more Securities Lending Agreements with regard to Collateral Debt Securities and/or may (on behalf of the Issuer) enter into agreements with one or more Securities Lending Agents appointed by the Collateral Manager pursuant to which any such agent is permitted to engage in securities lending activities and to enter into Securities Lending Agreements on behalf of the Issuer, in each case pursuant to the terms of, and subject to the parameters set out in, the Collateral Management Agreement. For the avoidance of doubt, neither the Trustee nor the Collateral Administrator will have any responsibility whatsoever for any loss, expense or claim whatsoever incurred as a result of any securities lending pursuant to this paragraph (e) (*Securities Lending*) of Condition 4 (*Security*) and no obligations in respect thereof.

5. Covenants of the Issuer

The Trust Deed contains, *inter alia*, representations, warranties and covenants in favour of the Trustee which, *inter alia*, require the Issuer to comply with its obligations under the Transaction Documents and restrict the ability of the Issuer to create or incur any indebtedness (other than that permitted under the Trust Deed), to dispose of assets, to change the nature of its business or to take or fail to take any action which may adversely affect the priority or enforceability of the security interest in the Collateral.

6. Interest

(a) *Payment Dates*:

(i) *Rated Notes*: Each Class of Rated Notes (other than the Class A1A Notes and the Class A1B Refinancing Notes) bear interest from the Issue Date. Subject to Condition 6(c) (*Deferral of Interest*), such interest will be payable semi-annually in arrear on each Payment Date.

(ii) *Class N Notes*: Interest shall be payable in respect of the Class N Notes on an available funds basis in accordance with Condition 3(c)(i) (*Priorities of Payment—Application of Interest Proceeds on Payment Dates*) and Condition 3(c)(iii) (*Priorities of Payment—Application of Principal Proceeds on Payment Dates*) on each Payment Date, and shall continue to be so payable in accordance with this Condition 6 (*Interest*) notwithstanding redemption in full of any Class N Note at its applicable Redemption Price.

(iii) *Class A1B Refinancing Notes*: The Class A1B Refinancing Notes, if any, will bear interest from their issue date at the same rate as the Class A1B Notes and such interest will be payable semi-annually in arrear on each Payment Date.

(iv) *Class A1A Notes*: Drawings in respect of the Class A1A Notes will bear interest from (and including) the date of such Drawing. Such interest will be payable semi-annually in arrear on each Payment Date or, if earlier, the date such Drawing is repaid. The Commitment Fee shall accrue from the Issue Date and shall be payable semi-annually in arrear on each Payment Date on the basis set out in Condition 6(j) (*Class A1A Notes Commitment Fee*) below.

(b) *Interest Accrual*:

(i) *Rated Notes*: Each Class of Rated Notes (other than the Class A1A Notes) will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest in accordance with this Condition 6 (*Interest*) (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day seven days after the Trustee or the Registrar has notified the Noteholders of such Class of Notes in accordance with Condition 16 (*Notices*) of receipt of all sums due in respect of all the Notes of such Class up to and including that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(ii) *Class N Notes*: Interest will cease to be payable on the Class N Notes upon the date that all of the Collateral held for the benefit of such Noteholders has been realised and no Interest Proceeds or Principal Proceeds remain available for distribution in accordance with the Priorities of Payment and no sums remain standing to the credit of the Collateral Enhancement Account.

(iii) *Interest on the Class A1A Notes*: Any Class A1A Notes will cease to bear interest in accordance with the provisions of the Class A1A Note Purchase Agreement.

(c) *Deferral of Interest*:

(i) For so long as any of the Senior Notes remain Outstanding, the Issuer shall only be obliged to pay any Interest Amount payable in respect of the Class B Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class B Note on any Payment Date (each such amount being referred to as "**Class B Deferred Interest**")

shall be deferred and shall, with effect from and including such Payment Date, be added to the principal amount outstanding of the Class B Notes and the principal amount of each such Note shall be increased by the amount of its *pro rata* share of such Class B Deferred Interest, which shall itself bear interest in accordance with these Conditions from such date.

(ii) For so long as any of the Senior Notes or Class B Notes remain Outstanding, the Issuer shall only be obliged to pay any Interest Amount payable in respect of the Class C Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class C Note on any Payment Date (each such amount being referred to as "**Class C Deferred Interest**") shall be deferred and shall, with effect from and including such Payment Date, be added to the principal amount outstanding of the Class C Notes and the principal amount of each such Note shall be increased by the amount of its *pro rata* share of such Class C Deferred Interest, which shall itself bear interest in accordance with these Conditions from such date.

(iii) For so long as any of the Senior Notes, Class B Notes or Class C Notes remains Outstanding, the Issuer shall only be obliged to pay any Interest Amount payable in respect of the Class D Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class D Note on any Payment Date (each such amount being referred to as "**Class D Deferred Interest**") shall be deferred and shall, with effect from and including such Payment Date, be added to the principal amount outstanding of the Class D Notes and the principal amount of each such Note shall be increased by the amount of its *pro rata* share of such Class D Deferred Interest, which shall itself bear interest in accordance with these Conditions from such date.

(iv) For so long as any of the Senior Notes, Class B Notes, Class C Notes or Class D Notes remains Outstanding, the Issuer shall only be obliged to pay any Interest Amount payable in respect of the Class E Notes in full on any Payment Date to the extent that there are Interest Proceeds or Principal Proceeds available for payment thereof in accordance with the Priorities of Payment. An amount of interest equal to any shortfall in payment of the Interest Amount that would otherwise be due and payable in respect of any such Class E Note on any Payment Date (each such amount being referred to as "**Class E Deferred Interest**" and together with Class B Deferred Interest, Class C Deferred Interest and Class D Deferred Interest, "**Deferred Interest**") shall be deferred and shall, with effect from and including such Payment Date, be added to the principal amount outstanding of the Class E Notes and the principal amount of each such Note shall be increased by the amount of its *pro rata* share of such Class E Deferred Interest, which shall itself bear interest in accordance with these Conditions from such date.

(d) *Payment of Deferred Interest*:

Deferred Interest shall only become payable by the Issuer in accordance with Condition 3(c) (*Priorities of Payment*) to the extent that Interest Proceeds or Principal Proceeds are available to make such payment in accordance with the Priorities of Payment.

(e) *Interest on Class A1B Notes, Class A2 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes*:

(i) *Rate of Interest*: Save as provided in paragraph (iii) below, the rate of interest from time to time in respect of the Class A1B Notes (the "**Class A1B Note Interest Rate**"), the Class A2 Notes (the "**Class A2 Note Interest Rate**"), the Class B Notes (the "**Class B Note Interest Rate**"), the Class C Notes (the "**Class C Note Interest Rate**"), the Class D Notes (the "**Class D Note Interest Rate**") and the Class E Notes (the "**Class E Note Interest Rate**") will each be determined by the Principal Paying Agent on the following basis.

(A) On the second TARGET Business Day before the beginning of each Interest Accrual Period or, in the case of the first Interest Accrual Period, the Issue Date (each an "**Interest Determination Date**") the Principal Paying Agent will determine the Applicable EURIBOR for Euro deposits as at 11.00 am (Brussels time) on the Interest

Determination Date in question. Such offered rate will be that which appears on the display designated as page 248 on the Telerate Monitor (or (a) such other page or service as may replace it for the purpose of displaying EURIBOR rates or (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee)) (the "**Screen Rate**"). The Class A1B Note Interest Rate, the Class A2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate, the Class D Note Interest Rate and the Class E Note Interest Rate for such Interest Accrual Period shall be the aggregate of the Class A1B Margin (in the case of the Class A1B Note Interest Rate), the Class A2 Margin (in the case of the Class A2 Note Interest Rate), the Class B Margin (in the case of the Class B Note Interest Rate), the Class C Margin (in the case of the Class C Note Interest Rate), the Class D Margin (in the case of the Class D Note Interest Rate) and the Class E Margin (in the case of the Class E Note Interest Rate) and the rate which so appears, all as determined by the Principal Paying Agent.

(B) If the offered rate so appearing is replaced by the corresponding rates of more than one bank then paragraph (A) shall be applied, with any necessary consequential changes, to the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point (with 0.005 being rounded upwards)) of the rates (being at least two) which so appear, as determined by the Principal Paying Agent. If for any other reason such offered rate does not so appear, or if the relevant page is unavailable, the Principal Paying Agent will request each of four major banks in the Euro zone interbank market acting in each case through its principal Euro zone (as defined in this Condition below) office (the "**Reference Banks**") to provide the Principal Paying Agent with its offered quotation to leading banks for Euro deposits in the Euro zone interbank market for a period of six months (or the appropriate period in respect of the first Interest Accrual Period for the Notes or the Interest Accrual Period immediately prior to the Maturity Date or the Redemption Date) as at 11.00 am (Brussels time) on the Interest Determination Date in question. The Class A1B Note Interest Rate, the Class A2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate, the Class D Note Interest Rate or the Class E Note Interest Rate for such Interest Accrual Period shall be the aggregate of the Class A1B Margin (in the case of the Class A1B Note Interest Rate), the Class A2 Margin (in the case of the Class A2 Note Interest Rate), the Class B Margin (in the case of the Class B Note Interest Rate), the Class C Margin (in the case of the Class C Note Interest Rate), the Class D Margin (in the case of the Class D Note Interest Rate) and the Class E Margin (in the case of the Class E Note Interest Rate) and the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point (with 0.005 being rounded upwards)) of such quotations (or of such of them, being at least two, as are so provided), all as determined by the Principal Paying Agent.

(C) If on any Interest Determination Date one only or none of the Reference Banks provides such quotation, the Class A1B Note Interest Rate, the Class A2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate, the Class D Note Interest Rate and the Class E Note Interest Rate for the next Interest Accrual Period shall be the rate per annum which the Principal Paying Agent determines to be the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point (with 0.005 being rounded upwards)) of the Euro lending rates which major banks in the Euro zone selected by the Principal Paying Agent are quoting, on the relevant Interest Determination Date, for loans in Euro for a period of six months (or the appropriate period in respect of the first Interest Accrual Period for the Notes or the Interest Accrual Period immediately prior to the Maturity Date or the Redemption Date) to leading European banks plus the Class A1B Margin (in the case of the Class A1B Note Interest Rate), the Class A2 Margin (in the case of the Class A2 Note Interest Rate), the Class B Margin (in the case of the Class B Note Interest Rate), the Class C Margin (in the case of the Class C Note Interest Rate), the Class D Margin (in the case of the Class D Note Interest Rate) and the Class E Margin (in the case of the Class E Note Interest Rate).

(D) For the purpose of this Condition 6(e) (*Interest on the Class A1B Notes, Class A2 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes*):

"**Euro zone**" means the region comprised of Member States of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union; and

"**Class A1B Margin**" means 0.23 per cent. per annum.

"**Class A2 Margin**" means 0.32 per cent. per annum.

"**Class B Margin**" means 0.42 per cent. per annum.

"**Class C Margin**" means 0.70 per cent. per annum.

"**Class D Margin**" means 1.70 per cent. per annum.

"**Class E Margin**" means 3.95 per cent. per annum.

(ii) *Determination of Floating Rate of Interest and Calculation of Interest Amount*: The Principal Paying Agent will, as soon as practicable after 11.00 am (Brussels time) on each Interest Determination Date, but in no event later than the second Business Day after such date, determine the Note Interest Rate in respect of and calculate the Interest Amount payable in respect of the Class A1B Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (as applicable) of €1,000 of such Notes for the relevant Interest Accrual Period. The Interest Amount in respect of the Class A1B Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes for each Authorised Denomination shall be calculated by applying the relevant Note Interest Rate of the Class A1B Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (as applicable) to an amount equal to each such Authorised Denomination, multiplying the product by the actual number of days in the Interest Accrual Period concerned divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(iii) *Reference Banks and Principal Paying Agent*: The Issuer shall procure that, so long as any Class A1B Notes, Class A2 Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are Outstanding:

(A) a Principal Paying Agent shall be appointed and maintained for the purposes of determining the interest rate and interest amount payable in respect of such Outstanding Classes of Notes, as applicable; and

(B) in the event that the Class A1B Note Interest Rate, Class A2 Note Interest Rate, Class B Note Interest Rate, Class C Note Interest Rate, Class D Note Interest Rate or Class E Note Interest Rate is to be calculated by Reference Banks pursuant to Condition 6 (*Interest*), that the number of Reference Banks required pursuant to such Condition are appointed.

If the Principal Paying Agent is unable or unwilling to continue to act as the Principal Paying Agent for the purpose of calculating interest hereunder or fails duly to establish the Class A1B Note Interest Rate, the Class A2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate, the Class D Note Interest Rate or the Class E Note Interest Rate for any Interest Accrual Period or to calculate the Interest Amount on the Notes (other than the Class A1A Notes), the Issuer shall appoint another financial institution with the ability to provide the services undertaken by the Principal Paying Agent herein to act as such in its place. The Principal Paying Agent may not resign its duties without a successor having been so appointed.

(f) *Interest on the Class N Notes*: The Collateral Administrator will on each Determination Date calculate the Interest Amount payable in respect of each €1,000 in original principal amount of the Class N Notes for the relevant Interest Accrual Period. The Interest Amount so payable on each Payment Date (other than on a Redemption Date or the Maturity Date of the Class N Notes) in respect of each €1,000 in original principal amount of Class N Notes shall be calculated by multiplying the aggregate of:

(i) the amount of Interest Proceeds to be applied on the applicable Payment Date pursuant to paragraphs (II) and (KK) of Condition 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) and Principal Proceeds to be applied in payment of interest on the Class N Notes pursuant to paragraph (Z) of Condition 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*); and

(ii) the amount determined by the Collateral Manager and notified to the Collateral Administrator on or before each Determination Date to be paid as interest to the Class N Noteholders on the next Payment Date from amounts standing to the credit of the Collateral Enhancement Account which have been (i) transferred to the Collateral Enhancement Account in accordance with Condition 3(c)(i)(HH) or (ii) credited to the Collateral Enhancement Account as amounts representing Sale Proceeds of Collateral Enhancement Securities,

by a fraction the numerator of which is €1,000 and the denominator of which is the aggregate principal amount of the Class N Notes Outstanding immediately prior to such Payment Date.

(g) *Publication of Floating Rates of Interest and Interest Amounts*: The Principal Paying Agent will cause the Class A1B Note Interest Rate, the Class A2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate, the Class D Note Interest Rate, the Class E Note Interest Rate and the Interest Amount and, if applicable, any Deferred Interest Amounts payable in respect of each relevant Class of Notes for each Interest Accrual Period and Payment Date to be notified to the Issuer, the Registrar, the Trustee and the Irish Stock Exchange as soon as possible after their determination, but in no event later than the first Business Day of such Interest Accrual Period, and the Registrar shall cause each such rate, amount and date to be notified to the Noteholders of each Class in accordance with Condition 16 (*Notices*) as soon as possible following notification to the Registrar but in no event later than the third Business Day after such notification. The Interest Amounts and the Payment Date in respect of the Notes so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice (save that notice shall be given to the Trustee) in the event of an extension or shortening of the Interest Accrual Period. If any of the Notes become due and payable under Condition 10 (*Events of Default*), interest shall nevertheless continue to be calculated as previously notified by the Principal Paying Agent in accordance with this Condition but no publication of the applicable Interest Amounts shall be made unless the Trustee so determines.

(h) *Determination or Calculation by Trustee*: If the Principal Paying Agent does not at any time for any reason so determine the Class A1B Note Interest Rate, the Class A2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate, the Class D Note Interest Rate or the Class E Note Interest Rate or does not calculate the Interest Amounts payable in respect of any Class of Notes (other than the Class A1A Notes) for an Interest Accrual Period, the Trustee (or a person appointed by it for the purpose) shall do so and such determination or calculation shall be deemed to have been made by the Principal Paying Agent and shall be binding on the Noteholders. In doing so, the Trustee, or such person appointed by it, shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and reliance on such persons as it has appointed for such purpose. The Trustee shall have no liability to any person in connection with any determination or calculation it is required to make pursuant to this Condition 6(h) (*Determination or Calculation by Trustee*).

(i) *Notifications etc. to be Final*: All notifications, opinions, determinations, certificates, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Reference Banks (or any of them), the Principal Paying Agent or the Trustee, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Principal Paying Agent, the Trustee, the Registrar, the Transfer Agents, the Capital Commitment Registrar, all Noteholders and all other Secured Parties and (in the absence as referred to above) no liability to the Issuer or the Noteholders of any Class shall attach to the Reference Banks, the Principal Paying Agent or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions under this Condition.

(j) *Class A1A Notes Commitment Fee*: The Issuer shall pay a commitment fee in Euro (the "**Commitment Fee**") in respect of each Interest Accrual Period which:

(i) shall be calculated on the basis of actual days elapsed in such Interest Accrual Period and a 360 day year at the rate of 0.15 per cent. per annum of the daily weighted average amount of the Undrawn Amount during such Interest Accrual Period; and

(ii) shall be paid to the Class A1A Noteholders, in respect of each Interest Accrual Period, on the Payment Date immediately following the end of such Interest Accrual Period in accordance with the Priorities of Payment.

(k) *Interest on the Class A1A Notes*: The relevant interest amount in respect of a Drawing under the Class A1A Notes and a Class A1A Notes Interest Period shall be calculated by the Principal Paying Agent applying (i)(a) in the case of a Euro Drawing, the relevant Class A1A Euro Rate of Interest to an amount equal to such Euro Drawing, on the relevant Payment Date, or as the case may be, the date such Drawing is repaid and (b) in the case of a Sterling Drawing, the relevant Class A1A Sterling Rate of Interest to an amount equal to such Sterling Drawing on the relevant Payment Date, or as the case may be, the date such Drawing is repaid and (ii) the applicable Class A1A Day Count Fraction (the aggregate of each such amount in respect of each Drawing and a Class A1A Notes Interest Period, the "**Class A1A Interest Amount**") and the Principal Paying Agent shall also calculate the Class A1A Aggregate Interest Amount.

If at any time during a Class A1A Notes Interest Period, the Senior Notes are not rated at least "AA" by Fitch and "AA" by S&P, respectively, the Class A1A Increased Margin will be added to the Class A1A Euro Rate of Interest and the Class A1A Sterling Rate of Interest in respect of such Class A1A Notes Interest Period.

(l) *Certificate*: The Principal Paying Agent shall notify each of the Class A1A Noteholders and the Issuer of the Class A1A Euro Rate of Interest and the Class A1A Sterling Rate of Interest as soon as it is determined under Condition 6(k) (*Interest on the Class A1A Notes*).

(m) *Failure of Reference Bank*: If any Class A1A Reference Bank for any reason fails to notify to the Principal Paying Agent the rate calculated in accordance with the definitions of the Class A1A Euro Rate of Interest and the Class A1A Sterling Rate of Interest, the rate of interest shall be determined on the basis of the rates notified to the Principal Paying Agent by the remaining Class A1A Reference Banks or Class A1A Reference Bank and if no such rates are provided, then the rates provided with respect to the previous Class A1A Notes Interest Period shall be applied.

(n) *Notification of Class A1A Aggregate Interest Amount*: The Principal Paying Agent shall notify each of the Class A1A Noteholders, the Collateral Administrator, the Collateral Manager, the Principal Paying Agent and the Issuer of the Class A1A Aggregate Interest Amount (and the individual components comprised therein) due on a Payment Date at least two Business Days prior to such Payment Date.

(o) *Duration of Class A1A Notes Interest Periods*: If any Class A1A Notes Interest Period would otherwise extend beyond the relevant Repayment Date it shall be shortened so that it ends on the relevant Repayment Date.

(p) *Payment*: Interest on the Class A1A Notes shall be paid in the manner specified in the Class A1A Note Purchase Agreement.

7. Redemption

(a) *Final Redemption*: Save to the extent previously redeemed and cancelled, the Notes of each Class will be redeemed on the Maturity Date of such Notes. In the case of a redemption pursuant to this Condition 7(a) (*Final Redemption*), the Senior Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be redeemed at their outstanding principal amount and the Class N Notes will be redeemed at the amount equal to their *pro rata* share of the amount of Principal Proceeds to be applied towards such redemption pursuant to the Priorities of Payment. Notes may not be redeemed other than in accordance with this Condition 7 (*Redemption*).

(b) *Optional Redemption*

(i) (A) *Redemption at the Option of the Class N Noteholders*: Subject to the provisions of Condition 7(b)(ii) (*Conditions to Optional Redemption at the Option of the Class N Noteholders*), the Senior Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class N Notes shall be redeemed by the Issuer, in whole but not in part, at the applicable Redemption Prices, on any Payment Date falling on or after the fifth anniversary of the Issue Date or, upon the occurrence of a Collateral Tax Event, on any Payment Date falling thereafter, at the request in writing of the holders of at least

66⅔ per cent. of the aggregate principal amount of Class N Notes Outstanding (as evidenced by duly completed Redemption Notices) in accordance with the procedures described in paragraph (ii) below. The Issuer shall procure that notice of such redemption, including the applicable Redemption Date, shall be given to the Noteholders in accordance with Condition 16 (*Notices*) and to the Rating Agencies.

(B) *Redemption for Tax Reasons*: Subject to the provisions of Condition 7(b)(ii) (*Conditions to Optional Redemption at the Option of the Class N Noteholders*) and following the occurrence of a Tax Event, the Senior Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class N Notes shall be redeemed by the Issuer, with the written consent of the holders of at least 66⅔ per cent. of the aggregate principal amount of Class N Notes Outstanding (as evidenced by duly completed Redemption Notices) in accordance with the procedures described in paragraph (ii) below or with the consent of the Trustee acting on the directions of the holders of at least 66⅔ per cent. of the aggregate principal amount outstanding of the Controlling Class, in whole but not in part, at the applicable Redemption Prices, on the Payment Date following the Issuer giving not more than 60 nor less than 30 days' notice to Noteholders (which notice shall be irrevocable) that the Notes are to be redeemed. The Issuer shall procure that notice of such redemption, including the applicable Redemption Date, shall be given to the Noteholders in accordance with Condition 16 (*Notices*) and to the Rating Agencies.

(ii) *Conditions to Optional Redemption at the Option of the Class N Noteholders*: Following receipt of confirmation from the Registrar of receipt of a direction or consent as applicable, from the requisite percentage of Class N Noteholders or, as the case may be, the Controlling Class to exercise any right of optional redemption pursuant to this Condition, the Collateral Administrator shall, as soon as practicable, and in any event not later than 15 Business Days prior to the scheduled Redemption Date (the "**Redemption Determination Date**") calculate the Redemption Threshold Amount.

The Notes shall not be optionally redeemed pursuant to paragraph (i) above unless at least five Business Days before the scheduled Redemption Date the Collateral Manager shall have furnished to the Trustee evidence, in form satisfactory to the Trustee, that the Collateral Manager on behalf of the Issuer has entered into a binding agreement or agreements with a financial institution or institutions whose short-term senior unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating from Fitch of at least "F1" and from S&P of at least "A-1+", to purchase, not later than the second Business Day immediately preceding the scheduled Redemption Date, in immediately available funds, all or part of the Collateral Debt Securities held by or on behalf of the Issuer and other Collateral (including the Eligible Investments) at an aggregate purchase price (net of expenses) at least equal to the amount, together with all cash available to the Issuer, notified by the Collateral Administrator as being the Redemption Threshold Amount.

(iii) *Mechanics of Redemption*: Following calculation by the Collateral Administrator of the applicable Redemption Threshold Amount, the Collateral Administrator shall make such other calculations as it is required to make pursuant to the Collateral Administration Agreement and shall notify the Issuer, the Trustee, the Collateral Manager and the Noteholders (in accordance with Condition 16 (*Notices*)) of such amount.

To exercise the options referred to in Conditions 7(b)(i)(A) and (B) the holders of (i) at least 66⅔ per cent. of the principal amount of the Class N Notes Outstanding or (ii) at least 66⅔ per cent. of the principal amount of the Controlling Class or at least 66⅔ per cent. of the principal amount of the Class N Notes Outstanding in the case of Condition 7(b)(i)(B), must deliver to a Paying Agent the Definitive Notes representing such Notes together with a duly completed Redemption Notice not more than 60 nor less than 20 Business Days prior to the applicable Redemption Date (neither any such Redemption Notice nor Definitive Note so delivered may be withdrawn without the prior consent of the Issuer).

(c) Mandatory Redemption

(i) *Redemption upon Breach of Coverage Test*:

(A) *Senior Notes*: If any of the Coverage Tests is not met on any Determination Date, the Interest Proceeds and Principal Proceeds available immediately prior to the Payment Date immediately following such Determination Date, net of amounts payable as specified in Condition 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) and 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*), will be used on such Payment Date, in accordance with the Priorities of Payment and the Senior Notes Redemption Method, to redeem and repay, as applicable, the Senior Notes, in whole or in part, until all the Coverage Tests are satisfied once recalculated following such repayment or redemption. For the avoidance of doubt, satisfaction of the Coverage Tests shall take account of any cancellation of the Total Commitments (as defined in the Class A1A Note Purchase Agreement) pursuant to the Class A1A Note Purchase Agreement.

(B) *Class B Notes*: If the Senior Notes are no longer Outstanding and the Class B Overcollateralisation Ratio Test, the Class C Overcollateralisation Ratio Test, the Class D Overcollateralisation Ratio Test or the Class E Overcollateralisation Ratio Test is not met on any Determination Date, the Interest Proceeds and Principal Proceeds available immediately prior to the Payment Date immediately following such Determination Date, net of amounts payable as specified in Condition 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) and 3(c)(iii)(*Application of Principal Proceeds on Payment Dates*), will be used on such Payment Date, in accordance with the Priorities of Payment, to redeem the Class B Notes on a *pro rata* basis, in whole or in part, until each of the Class B Overcollateralisation Ratio Test, the Class C Overcollateralisation Ratio Test, the Class D Overcollateralisation Ratio Test and the Class E Overcollateralisation Ratio Test are satisfied once recalculated following such redemption.

(C) *Class C Notes*: If the Senior Notes and the Class B Notes are no longer Outstanding and the Class C Overcollateralisation Ratio Test, the Class D Overcollateralisation Ratio Test or the Class E Overcollateralisation Ratio Test is not met on any Determination Date, the Interest Proceeds and Principal Proceeds available immediately prior to the Payment Date immediately following such Determination Date, net of amounts payable as specified in Condition 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) and 3(c)(iii)(*Application of Principal Proceeds on Payment Dates*), will be used on such Payment Date, in accordance with the Priorities of Payment, to redeem the Class C Notes on a *pro rata* basis, in whole or in part, until each of the Class C Overcollateralisation Ratio Test, the Class D Overcollateralisation Ratio Test and the Class E Overcollateralisation Ratio Test are satisfied once recalculated following such redemption.

(D) *Class D Notes*: If the Senior Notes, the Class B Notes and the Class C Notes are no longer Outstanding and the Class D Overcollateralisation Ratio Test or the Class E Overcollateralisation Ratio Test is not met on any Determination Date, the Interest Proceeds and Principal Proceeds available immediately prior to the Payment Date immediately following such Determination Date, net of amounts payable as specified in Condition 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) and 3(c)(iii)(*Application of Principal Proceeds on Payment Dates*), will be used on such Payment Date, in accordance with the Priorities of Payment, to redeem the Class D Notes on a *pro rata* basis, in whole or in part, until each of the Class D Overcollateralisation Ratio Test and the Class E Overcollateralisation Ratio Test are satisfied once recalculated following such redemption.

(E) *Class E Notes*: If the Senior Notes, the Class B Notes, the Class C Notes and the Class D Notes are no longer Outstanding and the Class E Overcollateralisation Ratio Test is not met on any Determination Date, the Interest Proceeds and Principal Proceeds available immediately prior to the Payment Date immediately following such Determination Date, net of amounts payable as specified in Condition 3(i) (*Application of Interest Proceeds on Payment Dates*) and 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*) will be used on such Payment Date, in accordance with the Priorities of Payment, to redeem the Class E Notes on a *pro rata* basis, in whole or in part, until the Class E Overcollateralisation Ratio Test is satisfied once recalculated following such redemption.

(ii) *Redemption Following Target Date Rating Downgrade*: In the event that a Target Date Rating Downgrade has occurred and is continuing on the Business Day prior to a Payment Date, the following amounts:

(A) all Interest Proceeds remaining after payment of all amounts referred to in Condition 3(c)(i)(A) to (V) (inclusive); and

(B) if necessary after the foregoing payments are made, all Principal Proceeds after payment of the amounts referred to in Condition 3(c)(iii)(A) to (K) (inclusive),

will be applied on such Payment Date in redemption or repayment, as applicable, of the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class D Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class E Notes (on a *pro rata* basis), in whole or in part, or, in each case if earlier, until the Rating Agencies confirm in writing that each such rating is reinstated.

(iii) *Redemption Following Expiry of the Reinvestment Period*: Following expiry of the Reinvestment Period, the Issuer shall, on each Payment Date occurring thereafter, apply Principal Proceeds transferred to the Euro Payment Account or the Sterling Payment Account immediately prior to the related Payment Date, in accordance with the Priorities of Payment, to redeem or repay, as applicable, the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class D Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class E Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class N Notes (on a *pro rata* basis), in whole or in part.

(iv) *Redemption upon Breach of Reinvestment OC Test*: On each Payment Date after the end of the Reinvestment Period, in the event that the Reinvestment OC Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Measurement Date, Interest Proceeds, net of the amounts payable under Condition 3(c)(i)(A) to (Z) (inclusive), will be used to redeem or repay, as applicable, the Senior Notes, in whole or in part, in accordance with the Senior Notes Redemption Method and following such redemption or repayment in full, to redeem the Class B Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class D Notes (on a *pro rata* basis), in whole or in part, and following such redemption in full, to redeem the Class E Notes (on a *pro rata* basis), in whole or in part, in each case, to the extent necessary to cause the Reinvestment OC Test to be met if recalculated following such redemption or repayment.

(v) *Redemption upon Sterling Funding Mismatch*: On each Payment Date, in the event that there is a Sterling Funding Mismatch, Interest Proceeds and Principal Proceeds will be used in accordance with the Priorities of Payment to repay the Sterling Drawings (on a *pro rata* basis), in whole or in part, to the extent necessary to cure such Sterling Funding Mismatch.

(vi) *Cancellation of commitment pursuant to the Class A1A Notes*: Where the Senior Notes are required to be redeemed pursuant to Condition 7(c)(i) to (ii) above or pursuant to the Priorities of Payment, after such redemption, the Total Commitments shall be automatically reduced and cancelled as set out in the Class A1A Note Purchase Agreement.

(d) *Redemption at the Option of the Collateral Manager*: Principal on the Notes shall be paid in accordance with Condition 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*) by the Issuer on the direction of the Collateral Manager (acting in its sole and absolute discretion on behalf of the Issuer) if, at any time during the Reinvestment Period, the Collateral Manager (acting on behalf of the Issuer) by notice certifies to the Issuer and the Trustee that for a period of 90 days following receipt of such funds it has been unable to identify Additional Collateral Debt Securities that are deemed appropriate by the Collateral Manager (in its discretion and acting on behalf of the Issuer) and which

meet the Eligibility Criteria or, to the extent applicable, the Reinvestment Criteria and the Additional Reinvestment Criteria, in sufficient amounts to permit the investment or reinvestment of all or a portion of the funds then in the Principal Collection Account that are to be invested in Additional Collateral Debt Securities (a "**Special Redemption**"). On the first Payment Date following the Due Period in which any such notice is given (a "**Special Redemption Date**"), funds on deposit in the Principal Collection Account representing Euro Principal Proceeds which cannot be reinvested in Additional Collateral Debt Securities (the "**Special Redemption Amount**") will be applied in accordance with Condition 3(c)(iii)(O). Notice of payments pursuant to this Condition 7(d) (*Redemption at the Option of the Collateral Manager*) shall be given in accordance with Condition 16 (*Notices*) not less than three Business Days prior to the applicable Special Redemption Date to each Noteholder affected thereby and to the Rating Agencies. For the avoidance of doubt, the exercise of a Special Redemption shall be at the sole and absolute discretion of the Collateral Manager (acting on behalf of the Issuer) and the Collateral Manager shall be under no obligation to, or have any responsibility for, any Noteholder or any other person for the exercise or non-exercise (as applicable) of such Special Redemption.

If at any time the Reinvestment Period is terminated earlier in accordance with paragraph (iv) of the definition of "**Reinvestment Period**", the Issuer's option to redeem the Notes as set out above shall be terminated and the Issuer shall instead redeem the Notes in accordance with the Priorities of Payment following an expiry of the Reinvestment Period.

(e) *Redemption of Class A1A Notes*: The Class A1A Notes may be redeemed by the Issuer subject to and in accordance with the terms of the Class A1A Note Purchase Agreement.

(f) *Redemption*: All Notes in respect of which any notice of redemption is given under this Condition 7 (*Redemption*) shall be redeemed on the Redemption Date at their applicable Redemption Prices and to the extent specified in such notice and in accordance with the requirements of this Condition.

(g) *Cancellation*: All Notes redeemed in full or purchased in accordance with this Condition 7 (*Redemption*), will be cancelled and may not be reissued or resold.

(h) *Redemption of Class N Notes*: Notwithstanding any other provision of these Conditions or the Trust Deed, all references herein and therein to any of the Class N Notes being redeemed in full at their Redemption Prices shall be deemed to be amended to the extent required to ensure that €1 principal amount per Minimum Denomination of the Class N Notes remains outstanding at all times and all amounts which are to be applied in redemption of such Class N Notes pursuant hereto which are in excess of the Redemption Price thereof minus €1, shall constitute interest payable in respect of such Class N Notes and shall not be applied in redemption of the principal amount outstanding thereof, *provided* always however that such €1 shall no longer remain outstanding and such Class N Notes shall be redeemed in full on the date on which all of the Collateral securing the Notes has been realised and is to be finally distributed to, *inter alios*, the Noteholders.

8. Payments

(a) *Method of Payment*: Payments of principal upon final redemption in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Definitive Note representing such Note at the specified office of any Paying Agent by Euro cheque drawn on a bank in Europe. Payments of interest on each Note and, prior to redemption in full thereof, principal in respect of each Note, will be made by Euro cheque drawn on a bank in Europe and posted on the relevant due date to the holder (or to the first named of joint holders) of the Note appearing on the Register or the Capital Commitment Register, as the case may be, at the close of business on the fifteenth day (whether or not a Business Day) before the relevant due date (the "**Record Date**") at his address shown on the Register or the Capital Commitment Register, as the case may be, on the Record Date. Upon application of the holder to the specified office of the Registrar or the Capital Commitment Registrar, as the case may be, or any Transfer Agent not less than ten Business Days before the due date for any payment in respect of a Note, the payment may be made (in the case of any final payment of principal against presentation and surrender (or, in the case of part payment only of such final payment, endorsement) of the Definitive Note representing such Note as provided above) by wire transfer in immediately available funds on the due date to a Euro account maintained by the payee with a bank in Europe.

(b) *Payments Subject to Fiscal Laws*: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 9 (*Taxation*). No commission shall be charged to the Noteholders.

(c) *Payments on Presentation Days*: A holder shall be entitled to present a Note for payment only on a Presentation Date and shall not, except as provided in Condition 6 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date. If a Note is presented for payment at a time when, as a result of differences in time zones it is not practicable to transfer the relevant amount to an account as referred to above for value on the relevant Presentation Date, the Issuer shall not be obliged so to do but shall be obliged to transfer the relevant amount to the account for value on the first practicable date after the Presentation Date.

(d) *Paying Agents, Registrar, Transfer Agents and Capital Commitment Registrar*: The names of the initial Paying Agents, Registrar, Transfer Agents and Capital Commitment Registrar and their initial specified offices are set out in the Agency Agreement and the Class A1A Note Purchase Agreement, respectively. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent, the Registrar, any Transfer Agent and the Capital Commitment Registrar and appoint additional or other Agents, *provided* that it will maintain Paying Agents, a Registrar, Transfer Agents and a Capital Commitment Registrar having among them specified offices in at least two major European cities approved by the Trustee (including Ireland for so long as the Notes of any Class are listed on the Irish Stock Exchange and the rules of that exchange so require) and notice of any such appointment will promptly be given to the Noteholders by the Issuer in accordance with Condition 16 (*Notices*).

9. Taxation

All payments of principal and interest in respect of the Notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within The Netherlands or any other jurisdiction or any political sub-division or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. For the avoidance of doubt, the Issuer shall not be required to gross up any payments made to Noteholders of any Class and shall withhold or deduct from any such payments any amounts on account of tax where so required by law or any relevant taxing authority. Any such withholding or deduction shall not constitute an Issuer Event of Default under Condition 10(a) (*Events of Default*).

10. Events of Default

(a) *Events of Default*: The occurrence of any of the following events shall constitute an "**Issuer Event of Default**":

(i) *Failure to pay interest*:

(A) The Issuer fails to pay any interest (other than any Class A1A Increased Margin) in respect of the Senior Notes (and any Commitment Fee and Break Costs relating thereto) when the same becomes due and payable,

(B) following redemption and repayment, as applicable, in full of the Senior Notes, the Issuer fails to pay any interest on any Class B Note (other than any Class B Deferred Interest), when the same becomes due and payable,

(C) following redemption and repayment, as applicable, in full of the Senior Notes and Class B Notes, the Issuer fails to pay any interest on any Class C Note (other than any Class C Deferred Interest) when the same becomes due and payable,

(D) following redemption and repayment, as applicable, in full of the Senior Notes, Class B Notes and Class C Notes, the Issuer fails to pay any interest on any Class D Note (other than any Class D Deferred Interest) when the same becomes due and payable,

(E) following redemption and repayment, as applicable, in full of the Senior Notes, Class B Notes, Class C Notes and Class D Notes, the Issuer fails to pay any interest on any Class

E Note (other than any Class E Deferred Interest) when the same becomes due and payable,

in the case of each of (A), (B), (C), (D) and (E), save as the result of any deduction therefrom or the imposition of withholding thereon in the circumstances described in Condition 9 (*Taxation*) and, in the case of each of (A), (B), (C), (D) and (E), other than in circumstances where such interest is only payable to the extent that funds are available to make payment thereof pursuant to Condition 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) and 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*)), *provided* that in the case of each of (A), (B), (C), (D) and (E) any such failure to pay such interest continues for a period of five Business Days;

(ii) *Failure to pay principal*: The Issuer fails to pay any principal when the same becomes due and payable on any Rated Notes on any Redemption Date which failure continues for a period of five Business Days;

(iii) *Default under Priorities of Payment*: Save to the extent already referred to in paragraphs (i) or (ii) above, the Issuer fails on any Payment Date to disburse amounts available in the Euro Payment Account or the Sterling Payment Account in accordance with the Priorities of Payment, which failure continues for a period of five Business Days;

(iv) *Collateral Debt Securities*: On any Measurement Date after the Target Date, in the event that the Event of Default Net Portfolio Collateral Balance on such Measurement Date is less than 100 per cent. of the aggregate principal amount of the Senior Notes Outstanding;

(v) *Breach of Other Obligations*: The Issuer does not perform or comply with any other covenant, or other agreement of the Issuer under the Notes, the Trust Deed, the Class A1A Note Purchase Agreement or any other Transaction Document (other than pursuant to a covenant or other agreement a default in the performance or breach of which is dealt with elsewhere in this Condition 10(a) (*Events of Default*) and other than the failure to meet any Collateral Quality Test, Coverage Test or the Reinvestment OC Test), or any representation, warranty or statement of the Issuer made in the Trust Deed, the Class A1A Note Purchase Agreement or any other Transaction Document or in any certificate or other written notice delivered pursuant thereto or in connection therewith ceases to be correct in any material respects when the same shall have been made, and the continuation of such default, breach or failure for a period of 30 days (or 15 days, in the case of any default, breach or failure of representation or warranty in respect of the Collateral) after notice thereof shall have been given by registered or certified mail or overnight courier, to the Issuer by the Trustee acting on the directions of a majority in the principal amount outstanding of the Controlling Class specifying such default, breach or failure and requiring it to be remedied and stating that such notice is a "**Notice of Default**" hereunder;

(vi) *Insolvency Proceedings*: Liquidation proceedings are initiated against the Issuer under any applicable liquidation (voluntary or judicial), insolvency, bankruptcy, composition, reorganisation or other similar laws (together, "**Insolvency Law**"), or a receiver, trustee, administrator, custodian, liquidator, conservator or other similar official (a "**Receiver**") is appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer; or a winding up petition is presented in respect of, or a distress or execution or other process is levied or enforced upon or sued out against, the whole or any substantial part of the undertaking or assets of the Issuer; or the Issuer becomes or is, or could be deemed by law or a court to be, insolvent or bankrupt or unable to pay its debts, or initiates or consents to judicial proceedings relating to itself under any applicable Insolvency Law, or seeks the appointment of a Receiver, or makes a conveyance or assignment for the benefit of its creditors generally or otherwise becomes subject to any reorganisation or amalgamation (other than on terms previously approved in writing by the Trustee);

(vii) *Illegality*: It is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under the Senior Notes or the Class A1A Note Purchase Agreement or, following redemption and repayment, as applicable, in full of the Senior Notes, under the Class B Notes, or, following redemption and repayment, as applicable, in full of the Class B Notes, under the Class C Notes, or, following redemption and repayment, as applicable, in full of the Class C Notes, under the Class D Notes, or, following redemption and repayment, as applicable, in full of the Class D

Notes, under the Class E Notes, or following redemption and repayment, as applicable, in full of the Class E Notes, under the Class N Notes; or

(viii) *Changes to constitution and merger*: The Issuer amends its constitutional documents or merges, consolidates with or into, or transfers substantially all of its assets to another person without the prior written consent of the Trustee (acting on the directions of a majority in the principal amount outstanding of the Controlling Class).

(b) *Curing of Default*: At any time after a declaration of acceleration of maturity of the Notes has been made following the occurrence of an Issuer Event of Default and prior to enforcement of the security pursuant to Condition 11 (*Enforcement*) by the issuance of an Enforcement Notice, the Trustee at its discretion may or, if requested in writing by the holders of at least 66⅔ per cent. in principal amount outstanding of the Controlling Class at such time, shall, (in each case, subject to being indemnified and/or secured to its satisfaction) rescind and annul such declaration and its consequences if:

(i) the Issuer has paid or deposited with the Trustee or to its order a sum sufficient to pay:

(A) all overdue payments of interest and principal on, and all Class B Deferred Interest, Class C Deferred Interest, Class D Deferred Interest and Class E Deferred Interest, as applicable, payable in respect of, the Notes other than the Class N Notes and other than the Class A1A Increased Margin;

(B) all due but unpaid taxes owing by the Issuer as certified by an Authorised Officer of the Issuer to the Trustee;

(C) all unpaid Administrative Expenses and Trustee Fees;

(D) any unpaid Base Collateral Management Fee;

(E) all amounts due and payable under the Hedge Agreements; and

(ii) the Trustee has in its opinion determined that all Issuer Events of Default, other than the non-payment of the interest in respect of, or principal of, the Notes that have become due solely by such acceleration, have been cured or waived.

Any previous rescission and annulment of a declaration of acceleration pursuant to this paragraph (b) shall not prevent the subsequent acceleration of the Notes if the Trustee is subsequently directed to accelerate the Notes in accordance with Condition 10(c) (*Acceleration*).

(c) Acceleration

(i) If an Issuer Event of Default of the type described in Condition 10(a)(vi) (*Insolvency Proceedings*) occurs then each Note of each Class shall immediately become due and payable at its Redemption Price without further action or formality.

(ii) If any Issuer Event of Default (other than one of the type described in Condition 10(a)(vi) (*Insolvency Proceedings*)) occurs and is continuing then, subject to the provisions of the Transaction Documents, the Trustee may at any time and shall, upon being (i) so requested in writing by the holders of more than 66⅔ per cent. in principal amount outstanding of the Controlling Class or so directed by an Extraordinary Resolution of the Controlling Class and (ii) indemnified and/or secured to its satisfaction, declare by written notice to the Issuer (an "**Enforcement Notice**") that each Note of each Class is immediately due and payable, whereupon each such Note shall become due and payable at its Redemption Price without further action or formality.

(iii) Notwithstanding the foregoing, so long as any Senior Notes are Outstanding, the Notes will not be subject to acceleration by the Trustee if the sole Issuer Event of Default is a result of the failure to pay any amount due on the Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class N Notes; and so long as any Class B Notes are Outstanding, the Notes will not be subject to acceleration by the Trustee if the sole Issuer Event of Default is a result of the failure to pay any amount due on the Class C Notes, Class D Notes, Class E Notes or Class N Notes; and so long as any Class C Notes are Outstanding, the Notes will not be subject to acceleration by the Trustee if

the sole Issuer Event of Default is a result of the failure to pay any amount due on the Class D Notes, Class E Notes or the Class N Notes; and so long as any Class D Notes are Outstanding, the Notes will not be subject to acceleration by the Trustee if the sole Issuer Event of Default is a result of the failure to pay any amount due on the Class E Notes or Class N Notes. For the avoidance of doubt, failure to pay any amount due on the Class N Notes will never be an Issuer Event of Default which would lead to an acceleration of the Notes.

(iv) Upon the occurrence of an Issuer Event of Default, the Issuer is required promptly and not later than five Business Days of the Issuer becoming aware of the occurrence of an Issuer Event of Default to notify the Trustee, the Collateral Manager, the Noteholders and the Rating Agencies, in writing. Any Noteholder may notify the Trustee or the Collateral Manager of the occurrence of an Issuer Event of Default, but such notification shall be without prejudice to the other provisions of this Condition 10 (*Events of Default*) and of the Trust Deed. If an Issuer Event of Default occurs and is continuing, the holders of more than 50 per cent. of the principal amount of any Class of the Notes Outstanding may give to the Trustee written notice of such Issuer Event of Default, and the Trustee must promptly upon receipt of such notice transmit such notice to the Principal Paying Agent for transmission to the holders of the Controlling Class.

(v) If an Issuer Event of Default occurs and is continuing, the Trustee, except if directed otherwise by the Noteholders, will direct the Collateral Manager to retain the Collateral Debt Securities held by or on behalf of the Issuer and continue making payments in the manner described above under Condition 3 (*Status*) unless the Trustee in its sole opinion determines (upon expert advice) that the anticipated proceeds of a sale or liquidation of the Collateral Debt Securities held by or on behalf of the Issuer (after deducting the reasonable expenses of such sale or liquidation) would, together with the proceeds of realisation of other Collateral, be sufficient to discharge in full the payments required to be made pursuant to the Priority of Payments referred to in Condition 11 (*Enforcement*).

(vi) The Controlling Class may, in certain cases, waive any default with respect to such Notes.

(d) *Restriction on Acceleration of Notes*: No acceleration of the Notes shall be permitted pursuant to this Condition by any Class of Noteholders other than the Controlling Class as provided in Condition 10(c) (*Acceleration*) or unless and until the acceleration of any other Class of Notes is simultaneous with, or occurs subsequent to, acceleration by such Controlling Class.

(e) *Notification and Confirmation of No Default*: The Trust Deed contains provision for the Issuer to provide written confirmation to the Trustee and the Rating Agencies on an annual basis or on request that no Issuer Event of Default has occurred and that no condition, event or act has occurred which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition could constitute an Issuer Event of Default and that no other matter which is required (pursuant thereto) be brought to the Trustee's attention has occurred, and the Trustee shall be entitled to rely absolutely on such written confirmation.

11. Enforcement

(a) *Security Becoming Enforceable*: The security constituted under the Trust Deed over the Collateral shall become enforceable upon an acceleration of the maturity of any of the Notes pursuant to Condition 10 (*Events of Default*).

(b) *Enforcement*: At any time after the Notes become due and payable and the security under the Trust Deed becomes enforceable, the Trustee may, at its discretion and without further notice:

(i) institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and realise and/or otherwise liquidate the Collateral; and/or

(ii) take such action as may be permitted under applicable laws against any obligor in respect of the Collateral and/or take any other action to enforce the security over the Collateral,

in each case without any liability as to the consequence of any action and without having regard (save to the extent provided in Condition 14(d) (*Entitlement of the Trustee and Conflicts of Interest*)) to the effect of such action on individual Noteholders of such Class or any other Secured Party.

The Trustee shall not be bound to institute any such proceedings or take any such other action unless it is (i) requested in writing by the holders of at least 25 per cent. in aggregate principal amount of the Notes Outstanding of the Controlling Class at such time; or (ii) directed by an Extraordinary Resolution of the Controlling Class at such time; and, in each case the Trustee is indemnified to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses (including remuneration) which may be incurred by it in connection therewith. Following redemption and repayment, as applicable, in full of the Senior Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes, the Trustee shall, (*provided* it is indemnified to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith), if so directed, act upon the written directions of the holders of at least 25 per cent. in aggregate principal amount of the Class N Notes Outstanding or as directed by an Extraordinary Resolution of the Class N Noteholders.

The rights of the Trustee in respect of the security over the Collateral will be exercisable in accordance with the terms of the Trust Deed. The Trustee shall not be liable for any diminution in value of the security over the Collateral at any time that any Note remains Outstanding.

The net proceeds of enforcement of the security over the Collateral shall be credited to the Euro Payment Account or the Sterling Payment Account or such other account as the person(s) entitled to direct the Trustee with respect to enforcement (in accordance with the previous paragraph) shall designate to the Trustee and shall be distributed in accordance with the following Priorities of Payment. The net proceeds of liquidation of the Collateral in the case of the redemption of the Notes pursuant to Condition 7(b) (*Optional Redemption*) shall also be distributed in accordance with the following Priorities of Payment.

(A) to the payment of Dutch taxes owing by the Issuer accrued in respect of the current tax year as certified by an Authorised Officer of the Issuer to the Trustee, if any (excluding any Dutch taxes which have accrued prior to the current tax year);

(B) to the payment of accrued and unpaid Trustee Fees payable to the Trustee pursuant to the Trust Deed;

(C) to the payment of Administrative Expenses;

(D) to the payment, on a *pro rata* basis, of any amounts due in respect of the Hedge Agreements (other than any Subordinated Hedge Termination Payments) and any Liquidity Payments due to the Liquidity Facility Provider under the Liquidity Facility Agreement (to the extent not paid pursuant to paragraph (C) above as an Administrative Expense);

(E) to the payment to the Collateral Manager of any Base Collateral Management Fee due and payable;

(F) to the payment on a *pro rata* basis of:

(1) interest due and payable on the Class A1A Notes and the Class A1B Notes (other than Class A1A Increased Margin in respect of the Class A1A Notes);

(2) interest due and payable on the Class A2 Notes;

(3) any amounts due and payable in respect of the Commitment Fees and Break Costs on the Class A1A Notes;

(G) on a *pro rata* basis in redemption and repayment, as applicable, of the Senior Notes in full (other than in respect of amounts payable under paragraph (Q) below);

(H) to the payment of interest due and payable on the Class B Notes (other than any Class B Deferred Interest);

(I) in redemption of the Class B Notes in full (including payment of Class B Deferred Interest);

(J) to the payment of interest due and payable on the Class C Notes (other than any Class C Deferred Interest);

(K) in redemption of the Class C Notes in full (including payment of Class C Deferred Interest);

(L) to the payment of interest due and payable on the Class D Notes (other than any Class D Deferred Interest);

(M) in redemption of the Class D Notes in full (including payment of Class D Deferred Interest);

(N) to the payment of interest due and payable on the Class E Notes (other than any Class E Deferred Interest);

(O) in redemption of the Class E Notes in full (including payment of Class E Deferred Interest);

(P) to the payment to any Replacement Collateral Manager of any Replacement Collateral Manager Subordinated Fee due and payable;

(Q) to the payment on a *pro rata* basis of accrued and unpaid Class A1A Increased Margin;

(R) to the payment of any Subordinated Collateral Management Fee due and payable;

(S) to the payment of the Subordinated Hedge Termination Payments;

(T) to the payment of any Collateral Manager Termination Amount;

(U) in redemption of the Class N Notes in full; and

(V) to the payment of interest due and payable on the Class N Notes.

For the purposes of this paragraph, any proceeds in Euro or Sterling shall be converted into Sterling or Euro as applicable to ensure that all amounts ranking senior in the above priority of payments is paid in full before payments of any junior ranking items.

Notwithstanding anything contained in the Priorities of Payment above, the net proceeds of enforcement of the security created by the Trust Deed in favour of the Trustee for the benefit of the Liquidity Facility Provider shall be credited to such account as the Liquidity Facility Provider shall designate and the Trustee shall hold all moneys received by it under or pursuant to the Trust Deed in connection with the realisation or enforcement of all or part of the security created in favour of the Trustee for the benefit of the Liquidity Facility Provider, whether before or after the occurrence of an Issuer Event of Default, in trust for the benefit of the Liquidity Facility Provider.

(c) *Only Trustee to Act*: Subject to the restrictions of any applicable law, only the Trustee may pursue the remedies available under the Trust Deed to enforce the rights of the Noteholders or of any of the other Secured Parties under the Trust Deed and the Notes and no Noteholder or other Secured Party may proceed directly against the Issuer or any of its assets unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, fails or neglects to do so within a reasonable period and such failure or neglect is continuing. Each Secured Party acknowledges and agrees that the obligations of the Issuer following the realisation of the security over the Collateral shall be limited to the amount of funds available to the Issuer to satisfy such obligations in accordance with the Priorities of Payment and that no Secured Party shall have any further recourse to the Issuer in respect of such obligations. In particular, none of the Trustee, any Noteholder or any other Secured Party shall be entitled in respect thereof to petition or take any other step for the winding-up of the Issuer.

(d) *Purchase of Collateral by Noteholders*: Upon any sale of any part of the Collateral following the occurrence of an Issuer Event of Default whether made under the power of sale under the Trust Deed or by virtue of judicial proceedings, any Noteholder may bid for and purchase the Collateral or any part thereof and, upon compliance with the terms of sale (such terms to be in accordance with the terms of

the Trust Deed or fair market practices if the Trust Deed is not applicable) and, may hold, retain, possess or dispose of such property in its or their own absolute right without accountability.

12. Prescription

Claims in respect of principal and interest payable on redemption in full of the relevant Notes will become void unless presentation for payment is made as required by Condition 8 (*Payments*) within a period of 5 years, in the case of interest, and 10 years, in the case of principal, from the appropriate Relevant Date.

13. Replacement of Definitive Notes

If any Definitive Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Transfer Agent in London subject in each case to all applicable laws and Irish Stock Exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (*provided* that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Definitive Notes must be surrendered before replacements will be issued.

14. Meetings of Noteholders, Modification, Waiver and Substitution; Removal and Retirement of the Trustee

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of the Noteholders of each Class to consider matters affecting the interests of such Noteholders, including the sanctioning by Extraordinary Resolution of the Noteholders of a Class of a modification of certain of these Conditions or certain provisions of the Trust Deed. Meetings of the Noteholders of a Class may be convened by two or more Noteholders of such Class holding not less than 10 per cent. in principal amount of the Notes of that Class Outstanding, or by the Trustee or the Issuer in its own right. Subject as follows, the quorum for any meeting convened to consider an Extraordinary Resolution of the Noteholders of such Class will be two or more persons holding or representing 66⅔ per cent. in principal amount of the Notes of such Class Outstanding, or at any adjourned meeting two or more persons being or representing the holders of the Notes of such Class holding or representing 25 per cent. of the principal amount of the Notes of such Class Outstanding. No proposal to sanction, amongst other things:

(i) the exchange or substitution for the Notes of the relevant Class, or the conversion of the Notes of the relevant Class into, shares, bonds or other obligations or securities of the Issuer or any other entity;

(ii) the modification of any provision relating to the timing and/or circumstances of final redemption of the Notes of the relevant Class at maturity (including the circumstances in which payments on such Notes may be accelerated);

(iii) the modification of the timing and/or determination of the amount of interest, principal or other amounts payable in respect of the Notes of the relevant Class from time to time;

(iv) the adjustment of the outstanding principal amount of the Notes of the relevant Class other than in connection with a further issue of Notes pursuant to Condition 17 (*Further Issues*);

(v) a change in the currency of payment of the Notes of the relevant Class or any other amounts payable under the Priorities of Payment;

(vi) any change in the Priorities of Payment or in the calculation or determination of any amounts payable thereunder;

(vii) the modification of the provisions concerning the quorum required at any meeting of Noteholders of the relevant Class or the majority required to pass an Extraordinary Resolution or any other provision of these Conditions which requires the written consent of the holders of a requisite principal amount of the Notes of any Class Outstanding; and

(viii) the modification of any provision relating to the security over the Collateral constituted by the Trust Deed except as contemplated by these Conditions and the Trust Deed,

each a "**Basic Terms Modification**", shall be effective unless sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders of the relevant Class of which two or more persons holding or representing not less than 66⅔ per cent. or, at any adjourned meeting, 25 per cent. of the aggregate principal amount of the Note Outstanding of such Class are held or represented.

For the avoidance of doubt, matters affecting the interests of a Class shall only be considered by and voted upon at a meeting of Noteholders of that relevant Class.

(b) *Modification and Waiver*: The Trust Deed provides that the Trustee may, subject to satisfaction of certain conditions, without the consent of the Noteholders, consent to:

(i) any modification of any of the provisions of the Trust Deed or any other Transaction Document which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error;

(ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed and any other Transaction Document which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders of any Class;

(iii) any modification of the calculation of any of the Collateral Quality Tests or the Coverage Tests or the Reinvestment OC Test to correspond with changes in the guidelines, methodology or standards established by any applicable Rating Agencies, subject to receipt of Rating Agency Confirmation and the consent of at least 66⅔ per cent. of the holders of the Senior Notes Outstanding; and

(iv) any modification to prevent the Issuer, the Noteholders, or the Trustee from being subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in a United States trade or business for U.S. federal income tax purposes or subject to United States income tax on a net income tax basis.

In addition, subject to receipt of Rating Agency Confirmation, the Trustee shall not consent to any modification of the thresholds of any of the Collateral Quality Tests, without the written consent of at least 66⅔ per cent. of the holders of the Senior Notes Outstanding.

Any such modification, authorisation or waiver shall be binding on all Noteholders and shall be notified to the Rating Agencies and, unless the Trustee otherwise agrees, to the Noteholders as soon as practicable in accordance with Condition 16 (*Notices*).

The Trustee shall not agree to any such modification unless the Trustee has received advice from a recognised tax counsel experienced in such matters that (i) the modification will not cause the Noteholders to experience any material change to the timing, character or source of the income from the Notes for United States federal income tax purposes and will not be considered a significant modification resulting in an exchange for purposes of United States Treasury Regulation Section 1.1001-3 and (ii) the proposed modification will not cause the Issuer to be subject to income tax on a net income tax basis in the United States.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Rating Agencies and the Noteholders of such Class as soon as practicable thereafter.

(c) *Substitution*: The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders of any Class, to the substitution of any other company in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes of each Class. In the case of such a substitution, the Trustee may agree, without the consent of the Noteholders, but subject to receipt by the Trustee of Rating Agency Confirmation (subject to receipt of such information and/or opinions as the Rating Agencies may require) to a change of the law governing the Notes and/or the Trust Deed, *provided* that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders of any Class. Any substitution agreed by the Trustee pursuant to this Condition 14(c) (*Substitution*) shall be binding on the Noteholders, and shall be notified to the Noteholders as soon as practicable in accordance with Condition 16 (*Notices*).

Subject to a Rating Agency Confirmation, if the Issuer satisfies the Trustee that it has or will on the occasion of the next payment due in respect of the Notes of any Class become obliged by the laws of The Netherlands to withhold or account for tax so that it would be unable to make payment of the full amount then due, the Trustee may, with consent of the Noteholders, agree to the Issuer arranging for the substitution of a company incorporated in another jurisdiction approved by the Trustee, subject to satisfaction of the conditions set out in the Trust Deed as the principal obligor under the Notes of such Class, or to change its tax residence in accordance with the provisions of the Trust Deed with respect of such substitution or change.

The Trustee may, subject to the receipt by the Trustee of Rating Agency Confirmation, agree to a change in the place of residence of the Issuer for taxation purposes without the consent of the Noteholders of any Class, *provided* that the Issuer does all such things as the Trustee may require in order that such change in the place of residence of the Issuer for taxation purposes is fully effective and complies with such other requirements which are in the interests of the Noteholders as it may direct.

No Noteholder shall, in connection with any substitution or change of residence, be entitled to claim any indemnification or payment in respect of any tax consequences thereof for such Noteholder.

(d) *Entitlement of the Trustee and Conflicts of Interest*: Where it is entitled to exercise its powers and discretions under these Conditions and the Trust Deed, the Trustee will, save as otherwise expressly provided, in considering the interests of the Noteholders have regard solely to the interests of the Senior Noteholders whilst any principal amount of Senior Notes is outstanding, and if no principal amount of the Senior Notes is outstanding, shall have regard solely to the interests of the Class B Noteholders, and, if no Class B Notes are Outstanding, shall have regard solely to the interests of the Class C Noteholders, and, if no Class C Notes are Outstanding, shall have regard solely to the interests of the Class D Noteholders, and, if no Class D Notes are Outstanding, shall have regard solely to the interests of the Class E Noteholders, and, if no Class E Notes are Outstanding, shall have regard solely to the interests of the Class N Noteholders (subject, in each case, to the aforesaid provisions as to the priority of the consideration regarding the Senior Noteholders in certain circumstances) and will not be responsible for any consequence for individual holders of Notes of such exercise and the Trustee shall not be entitled to require from the Issuer, nor shall any Noteholder be entitled to claim from the Issuer or the Trustee, any indemnification or other payment in respect of any consequence for any individual Noteholders of any such exercise. Where, in the opinion of the Trustee, a Basic Terms Modification gives rise or may give rise to a conflict between the interests of the Class A1A Noteholders, the Class A1B Noteholders and the Class A2 Noteholders, the Trustee will require an Extraordinary Resolution to be passed by each of them before agreeing to effect the amendments contemplated by such Basic Terms Modification. The Trustee shall, save as otherwise expressly provided, not have regard to the interests of any Secured Party other than the relevant Class of Noteholders except to apply the proceeds of enforcement of the security in the order set out in the Priorities of Payment.

Except where expressly provided otherwise, where in the opinion of the Trustee, there is a conflict between the interests of different Classes of Noteholders, the Trustee shall give priority to the interests of the Controlling Class, whose interests shall prevail, and shall act in accordance with the directions of such Noteholders.

(e) *Removal and Retirement of the Trustee, Appointment of Co-Trustee*: Subject to the detailed terms of the Trust Deed, the power to appoint a new trustee under the Trust Deed shall be vested in the Issuer but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution of the Controlling Class. The retirement or removal of any trustee under the Trust Deed shall not be effective until a successor trustee is appointed in accordance with the terms of the Trust Deed. The Controlling Class shall have power, exercisable by Extraordinary Resolution of the holders of such class to remove any trustee under the Trust Deed. In the case of such event, the Issuer will use its best endeavours to procure a new trustee of the Trust Deed to be appointed as soon as reasonably practicable thereafter. The Trustee may retire at any time on giving not less than three months' prior written notice to the Issuer without assigning any reason and without being responsible for any liabilities occasioned by such retirement. The Trustee may, upon giving prior written notice to, but without the consent of any other person appoint any person established or resident in any jurisdiction to act either as a separate trustee or as a co-trustee jointly with the Trustee (i) if the Trustee considers that appointment to be in the interests of Noteholders, or (ii) for the purposes of conforming to any legal requirements, restrictions or conditions in any jurisdiction in which any particular act or acts are to be performed or (iii) for the purposes of obtaining a judgment in any jurisdiction or the enforcement in

any jurisdiction of a judgment already obtained against the Issuer. If the sole trustee has been removed by an Extraordinary Resolution of the Controlling Class or the sole trustee has provided notice of its resignation, and, if the Issuer has failed to procure the appointment of a new trustee within the period of 3 months following the sole trustee's receipt of notification of its removal or the provision by the sole trustee of its written notice of resignation to the Issuer, then that sole trustee may appoint a successor trustee, *provided* that it must act reasonably in appointing a successor trustee.

15. Indemnification of the Trustee

The Trust Deed contain provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from any obligation to institute proceedings against the Issuer to enforce repayment or to enforce the security constituted by or pursuant to the Trust Deed unless indemnified and/or secured to its satisfaction in accordance with the provisions set out in the Trust Deed. The Trustee is entitled to enter into business transactions with the Issuer or any entity related to the Issuer without accounting for any profit. The Trustee is exempted from any liability in respect of any loss or theft of the Collateral, from any obligation to insure, or to monitor the provisions of any insurance arrangements in respect of, the Collateral and from any claim arising from the fact that the Collateral is held by the Custodian or is otherwise held in safe custody by a bank or other custodian. The Trustee shall not be responsible for the performance by the Custodian of any of its duties under the Agency Agreement or for the performance by the Collateral Manager of any of its duties under the Collateral Management Agreement or for the performance by the Collateral Administrator of its duties under the Collateral Administration Agreement or for the performance by any other person appointed by the Issuer in relation to the Notes or any other Transaction Document (other than the Trust Deed). The Trustee shall not have any responsibility for the administration, management or operation of the Collateral including the request by the Collateral Manager to release any of the Collateral from time to time.

16. Notices

Notices may be given to Noteholders in any manner deemed acceptable by the Trustee, *provided* that for so long as the Notes are listed on the Irish Stock Exchange, such notice shall be given in accordance with the rules of the Irish Stock Exchange. Notices regarding the Notes (other than the Class A1A Notes) will be deemed duly given if posted to the address of such Noteholder appearing in the Register at the time of publication of such notice by pre-paid, first class mail (or any other manner approved by the Trustee). Any such notice shall be deemed to have been given on the date of despatch thereof to the Noteholders. Notices to holders of interests in Global Notes held through Euroclear, DTC or Clearstream, Luxembourg (the "**Clearing Systems**") may be given by delivery of the relevant notice to the relevant Clearing System.

Any notice to be given to the Noteholders as set out in this Condition 16 (*Notices*) shall be deemed to be validly given to the Class A1A Noteholders if such notice is sent pursuant to the terms of the Class A1A Note Purchase Agreement.

17. Further Issues

(a) The Issuer may from time to time without the consent of the Noteholders, but subject to the prior written consent of the Trustee and the satisfaction of the conditions referred to below, create and issue further securities having the same terms and conditions as the Class A1B Notes (the "**Class A1B Refinancing Notes**") in all respects (or in all respects except for the first payment of interest thereon) which shall be consolidated and form a single series with, and rank *pari passu* with the Class A1B Notes then Outstanding, and shall use the net proceeds of issue thereof, subject to the Priorities of Payment, to repay amounts outstanding on the Class A1A Notes provided the following conditions are met:

(i) the terms of the Class A1B Refinancing Notes are the same in all respects (or in all respects except for the first payment of interest) as the Class A1B Notes then Outstanding;

(ii) the Rating Agencies confirm to the Trustee in writing that, on issue, they will assign to the Class A1B Refinancing Notes the same rating as that which is then applicable to the Class A1B Notes;

(iii) the Issuer and the Trustee receive confirmation from the Rating Agencies that the additional issue of the Class A1B Refinancing Notes will not cause the reduction or withdrawal of the then current ratings of any of the Class A1A Notes (if still outstanding) and the other Rated Notes;

(iv) no Issuer Event of Default has occurred and is continuing;

(v) the aggregate principal amount of any Class A1B Refinancing Notes proposed to be issued, together with the aggregate principal amount of all Class A1B Notes and Class A2 Notes then Outstanding and the aggregate at that time of all principal amounts drawn and any amount available for drawing under the Class A1A Notes shall not exceed €198,800,000;

(vi) the Trustee has been fully indemnified and/or secured to its satisfaction in respect of its fees, costs and expenses (including, without limitation, its legal fees and its remuneration) in respect of any issue of Class A1B Refinancing Notes;

(vii) such additional issuances are in accordance with all applicable laws including, without limitation, the securities and banking laws and regulations of The Netherlands and the provisions of the tax agreement obtained on behalf of the Issuer from the Dutch tax authorities; and

(viii) recognised tax counsel experienced in such matters have advised that the issue of such Class A1B Refinancing Notes will not cause the Noteholders to experience any material change to the timing, character or source of the income from the Notes for United States federal income tax purposes and will not be considered a significant modification resulting in an exchange for purposes of United States Treasury Regulation Section 1.1001-3.

References in these Conditions to the Class A1B Notes include (unless the context requires otherwise) any Class A1B Refinancing Notes issued pursuant to this Condition 17(a) and forming a single series with the Class A1B Notes.

(b) The Issuer may from time to time without the consent of the Noteholders, but subject to the prior written consent of the Trustee and the satisfaction of the conditions referred to below, create and issue further securities (the "**Class A1B Further Issue Notes**", "**Class A2 Further Issue Notes**", "**Class B Further Issue Notes**", "**Class C Further Issue Notes**", "**Class D Further Issue Notes**", "**Class E Further Issue Notes**" and "**Class N Further Issue Notes**", as the case may be and collectively, together with the Class A1B Refinancing Notes, the "**Further Issue Notes**") having the same terms and conditions as the Class A1B Notes, Class A2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class N Notes respectively, then Outstanding, in all respects (or in all respects except for the first payment of interest thereon), which shall be consolidated and form a single series with, and rank *pari passu* with the Class A1B Notes, the Class A2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class N Notes, respectively, then Outstanding, and may use the net proceeds of issue thereof, subject to the Priorities of Payment, to purchase Additional Collateral Debt Securities (or to place such amounts on deposit in the Principal Collection Account pending application accordingly), *provided* the following conditions are met:

(i) the terms of the Class A1B Further Issue Notes, Class A2 Further Issue Notes, Class B Further Issue Notes, Class C Further Issue Notes, Class D Further Issue Notes, Class E Further Issue Notes and Class N Further Issue Notes are the same in all respects (or in all material respects except for the first payment of interest) as the Class A1B Notes, the Class A2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class N Notes, respectively, then Outstanding (as applicable);

(ii) the Rating Agencies confirm to the Trustee in writing that, on issue, they will assign to the Class A1B Further Issue Notes, the Class A2 Further Issue Notes, Class B Further Issue Notes, Class C Further Issue Notes, Class D Further Issue Notes and Class E Further Issue Notes issued under this Condition 17(b), at least the same rating as that which is then applicable to the Class A1B Notes, Class A2 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes respectively, then Outstanding (as applicable);

(iii) the Issuer and the Trustee receive confirmation from the Rating Agencies that the issue of the Class A1B Further Issue Notes, the Class A2 Further Issue Notes, the Class B Further Issue Notes, the Class C Further Issue Notes, the Class D Further Issue Notes, the Class E Further Issue Notes and the Class N Further Issue Notes will not cause the reduction or withdrawal of the then current ratings of any of the Senior Notes and the other Rated Notes;

(iv) no Issuer Event of Default has occurred and is continuing;

(v) the Trustee has been fully indemnified and/or secured to its satisfaction in respect of its fees, costs and expenses (including, without limitation, its legal fees and its remuneration) in respect of any issue of Class A1B Further Issue Notes, Class A2 Further Issue Notes, Class B Further Issue Notes, Class C Further Issue Notes, Class D Further Issue Notes, Class E Further Issue Notes and Class N Further Issue Notes;

(vi) such additional issuances are in accordance with all applicable laws including, without limitation, the securities and banking laws and regulations of The Netherlands and the provisions of the tax agreement obtained on behalf of the Issuer from the Dutch tax authorities;

(vii) recognised tax counsel experienced in such matters have advised that such additional issuances will meet the requirements for a "qualified reopening" under United States Treasury Regulation Section 1.1275-2(k)(3) or are accomplished in a manner that allows the Issuer and any paying agents to comply with their information reporting requirements under U.S. federal income tax law;

(viii) such additional issuances must be of each Class of the Notes and issued in a proportionate amount among the Classes of the Notes so that the respective proportions of the principal amount outstanding of the Classes of Notes existing immediately prior to such additional issuance remain unchanged following such additional issuance; and

(ix) unless otherwise agreed to by an Extraordinary Resolution of the Senior Notes, any additional issuances of the Class A1B Further Issue Notes will not lead to the aggregate principal amount held by the holders of the Class A1B Notes Outstanding which was issued on the Issue Date together with all Class A1B Refinancing Notes Outstanding issued after the Issue Date and the Total Commitments under the Class A1A Notes issued falling to below 66⅔ per cent. of the aggregate principal amount of (1) the Class A1B Notes Outstanding which was issued on the Issue Date and (2) all Class A1B Refinancing Notes Outstanding issued after the Issue Date and (3) the Total Commitments under the Class A1A Notes Outstanding and (4) the Class A1B Further Issue Notes proposed to be issued.

References in these Conditions to the Class A1B Notes, Class A2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class N Notes include (unless the context requires otherwise) any Class A1B Further Issue Notes, Class A2 Further Issue Notes, Class B Further Issue Notes, Class C Further Issue Notes, Class D Further Issue Notes, Class E Further Issue Notes and Class N Further Issue Notes, respectively issued pursuant to this Condition 17(b) and forming a single series with the Class A1B Notes, Class A2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class N Notes respectively.

Upon the issue of any Further Issue Notes, references in these Conditions to the Notes of any Class shall include (unless the context requires otherwise) the relevant Further Issue Notes. Any Further Issue Notes will be constituted by a supplemental Trust Deed and the Issuer shall, upon or prior to the issue of such Further Issue Notes to be so constituted, execute and deliver to the Trustee such other documents as the Trustee may reasonably require (including, without limitation, any documents required by any Rating Agency). Upon an issue of any Further Issue Notes, all relevant Transaction Documents shall be amended and supplemented as required to give effect to the rights and obligations arising from such issue of such Further Issue Notes.

18. Governing Law and Jurisdiction

(a) *Governing Law*: The Trust Deed, the Class A1A Note Purchase Agreement and each Class of Notes are governed by and shall be construed in accordance with English law. The Euroclear Pledge Agreement is governed by and shall be construed in accordance with Belgian law. The Management Agreement is governed by and shall be construed in accordance with Dutch law.

(b) *Jurisdiction*: The courts of England will have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, and accordingly any legal action or proceedings arising out of or in connection with the Notes ("**Proceedings**") may be brought in such courts. Each party to the Trust Deed has irrevocably submitted to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) *Agent for Service of Process*: The Issuer appoints Structured Finance Management Limited of 35 Great St. Helen's, London EC3A 6AP as its agent in England to receive service of process in any Proceedings in England based on any of the Notes. If for any reason the Issuer does not have such agent in England, it will promptly appoint a substitute process agent and notify the Trustee and the Noteholders of such appointment. Nothing herein shall affect the right to service of process in any other manner permitted by law.

19. Trustee Act 2000

The Trust Deed contain provisions which have the effect of giving priority, to the extent permitted by law, to the provisions of the Trust Deed over the relevant provisions of the Trustee Act 1925 and the Trustee Act 2000.

20. Calculation of amounts not denominated in Euro

Unless otherwise specified, where a calculation has to be made pursuant to the Conditions and the amounts are not denominated in Euro, such amounts shall be calculated by converting such non-Euro amounts into Euro at the Issue Date Spot Rate. For the avoidance of doubt, in calculating any Coverage Test, any Collateral Quality Test and the Reinvestment OC Test, where the Senior Notes comprises amounts denominated in Sterling, such Sterling amounts shall be converted in Euro at the Spot Rate. Each non-Euro amount that is received pursuant to a Non-Euro Collateral Debt Security, which is the subject of an Asset Swap Transaction, shall be converted into Euro at the Asset Swap Transaction Exchange Rate.

USE OF PROCEEDS

The net proceeds from the issuance and sale of the Notes (other than the Class A1A Notes), together with the Total Commitments under the Class A1A Notes (as if they were fully drawn), are expected to be approximately €310,430,000. These net proceeds of the issue of the Notes will be used by the Issuer (i) to fund or make provision for certain other fees and expenses of the Issuer up to a maximum of €7,370,000, (ii) to pay an up-front fee of €2,631,065 and any applicable VAT payable thereto to the Collateral Manager on the Issue Date, (iii) to pay the premium in respect of the Issuer entering into the Initial Hedge Agreement and (iv) any proceeds remaining will be deposited by the Issuer into the Initial Proceeds Account on the Issue Date, which together with any drawings made under the Class A1A Notes, will be applied in the acquisition of Collateral Debt Securities subject to the conditions set out herein. See "*Description of the Portfolio*" below.

FORM OF THE NOTES

References below to Notes and to the Global Note and Definitive Notes representing such Notes are to each respective Class of Notes.

1. Initial Issue of Notes

Each of the Senior Notes (other than the Class A1B Refinancing Notes and the Class A1A Notes), Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class N Notes (each, a **"Relevant Class of Notes**") sold in reliance on Regulation S under the Securities Act will be represented by one or more global note certificates (each, a "**Regulation S Global Note**") in registered form without interest coupons or principal receipts deposited with a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). During the Distribution Compliance Period, beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg. See "*Book Entry Clearance Procedures*" below. By acquisition of a beneficial interest in a Regulation S Global Note, any purchaser thereof will, during the Distribution Compliance Period, be deemed to represent that it is not a U.S. Person and that, if in the future it decides to transfer such beneficial interest, it will transfer such interest only in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Rule 144A Note.

The Class A1A Notes will be represented on issue by a registered note in definitive form without interest coupons or principal receipts and will be issued pursuant to and in the circumstances specified in the Trust Deed and sold in reliance of Regulation S or Rule 144A, substantially in the form set out in the Trust Deed, in the applicable Minimum Denominations and integral multiples in excess thereof of the Authorised Denomination.

The Notes of any Relevant Class of Notes sold in reliance on Rule 144A of the Securities Act will be represented by one or more global note certificates of such Relevant Class of Notes, in fully registered form without interest coupons or principal receipts, (each, a "**Rule 144A Global Note**") deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. Beneficial interests in a Rule 144A Global Note may only be held through DTC and its direct and indirect participants. See "*Book Entry Clearance Procedures*" below.

The Regulation S Global Notes and the 144A Global Notes are each referred to as a Global Note and are together referred to as the Global Notes.

2. Amendments to Conditions

Each Global Note and the Trust Deed contains provisions that apply to the Relevant Class of Notes represented by such Global Note, some of which modify the effect of the Conditions of the Relevant Class of Notes set out in this Prospectus. The following is a summary of those provisions:

Ownership: So long as a Clearing System (or its nominee) is the registered holder of any Global Note, such Clearing System (or its nominee) will be considered the absolute owner or holder of such Note for all purposes under the Trust Deed and the Notes.

Payments: Payments of principal and interest in respect of Notes represented by a Global Note will be made against presentation and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Registrar or such other Transfer Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be made in the Register which will be *prima facie* evidence that such payment has been made in respect of the relevant Notes. See also "*Currency of Payments*" of "*Book Entry Clearance Procedures*" below.

Notices: Notices to holders of Global Notes held through Euroclear, DTC or Clearstream, Luxembourg (the "**Clearing Systems**") may be given by delivery of the relevant notice to the relevant Clearing System *provided* that for so long as the Notes are listed on the Irish Stock Exchange, such notice shall be in accordance with the rules of the Irish Stock Exchange.

Prescription: Claims against the Issuer in respect of principal of and interest on the Notes will become void unless presented for payment by the Noteholder within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date.

Meetings: The holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each Euro (or, as the case may be, each Sterling) of principal amount of Notes represented thereby.

Trustee's Powers: In considering the interests of holders of Global Notes, the Trustee may, but is not required to, have regard to any information provided to it by the Clearing Systems or operators as to the identity (either individually or by category) of their account holders with entitlements to each Global Note and may consider such interests as if such account holders were the holders of any Global Note.

Cancellation: Cancellation of any Note required by the Conditions to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.

Optional Redemption: The Class N Noteholders' option in Condition 7(b)(i)(A) (*Redemption at the Option of the Class N Noteholders*) or right to consent in Condition 7(b)(i)(B) (*Redemption for Tax Reasons*) may be exercised by the Noteholder of any Global Note representing Class N Notes giving notice to the Registrar of the principal amount of Class N Notes in respect of which the option is exercised and presenting such Global Note for endorsement of exercise within the time limit specified in Condition 7(b)(i)(A) (*Redemption at the Option of the Class N Noteholders*) or 7(b)(i)(B) (*Redemption for Tax Reasons*), as applicable. The Controlling Class' right to consent in Condition 7(b)(i)(B) (*Redemption for Tax Reasons*) may be exercised by the Noteholder of any Global Note representing the Controlling Class giving notice to the Registrar of the principal amount of the Notes of the Controlling Class in respect of which the option is exercised and presenting such Global Note for endorsement of exercise within the time limit specified in Condition 7(b)(i)(B) (*Redemption for Tax Reasons*).

3. Exchange for Definitive Notes

Exchange: Each Global Note will be exchangeable, free of charge to the holders of Notes, on or after its Exchange Date (as defined below), in whole but not in part, for certificates in definitive, registered form ("**Definitive Notes**") if:

(a) in the case of a Regulation S Global Note, either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearing system satisfactory to the Trustee is available;

(b) in the case of a Rule 144A Global Note, at any time DTC notifies the Issuer that it is unable or unwilling to discharge properly its responsibilities as depositary with respect to the relevant Global Note or DTC ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

(c) the Issuer would suffer a material disadvantage in respect of any Class of Notes as a result of a change in the laws or regulations (taxation or otherwise) of any applicable jurisdiction or payments being made net of tax which would not be suffered were the relevant Notes represented by Definitive Notes and a certificate to such effect signed by two Managing Directors of the Issuer is delivered to the Trustee.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Notes for a period of (i) 15 calendar days ending on the due date for redemption in full of that Note or (ii) 15 calendar days ending on any Payment Date.

If only one of the Global Notes (the "**Exchanged Global Note**") becomes exchangeable for Definitive Notes in accordance with the above paragraphs, transfers of the Relevant Class of Notes may not take place between, on the one hand, persons holding Definitive Notes issued in exchange for beneficial interests in the Exchanged Global Note and, on the other hand, persons wishing to purchase beneficial interests in the other Global Note.

If the Issuer becomes obliged to issue, or procure the issue of, Definitive Notes, but fails to do so within 30 days of the occurrence of the relevant event, then the Issuer shall indemnify the Trustee, the registered holder of the relevant Global Note and the relevant holder of Book Entry Interests in such Global Note and keep them indemnified against any loss or damage incurred by any of them if the amount received by the Trustee, the registered holder of the relevant Global Note or the holder of Book Entry Interests in such Global Note in

respect of the Notes is less than the amount that would have been received had Definitive Notes been issued. If and for so long as the Issuer discharges its obligations under this indemnity, the failure by the Issuer to issue Definitive Notes shall be deemed to be cured *ab initio*.

"**Exchange Date**" means a day falling not less than 30 days after that on which the notice requiring exchange is given and on which banks are open for general business in the city in which the specified office of the Registrar and any Transfer Agent is located.

Delivery: In the circumstances set out in "*Exchange*" above, the relevant Global Note will be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Notes and (b) in the case of the Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification to the effect that, among other things, the transfer is being made in compliance with the provisions of Rule 144A. Definitive Notes issued in exchange for a beneficial interest in the Rule 144A Global Note shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "*Plan of Distribution and Transfer Restrictions*" below. No owner of an interest in a Regulation S Global Note will be entitled to receive a Definitive Note (a) until after the expiration of the Distribution Compliance Period and (b) unless (i) for a person other than a distributor (as defined in Regulation S), such person provides certification that the Definitive Note is beneficially owned by a person that is not a U.S. Person (as defined in Regulation S) or (ii) for a person that is a U.S. Person, such person provides certification that any interest in such Definitive Note was purchased in an offshore transaction pursuant to Rule 904 under Regulation S.

Legends: The holder of a Definitive Note may transfer the Notes represented thereby in whole or in part in the applicable Minimum Denomination and integral multiples of the Authorised Denomination in excess of the Minimum Denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Definitive Note bearing the legend referred to under "*Plan of Distribution and Transfer Restrictions*" below, or upon specific request for removal of the legend on a Definitive Note, the Issuer will deliver only Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

BOOK ENTRY CLEARANCE PROCEDURES

The information set out below has been obtained from sources that the Issuer believes to be reliable, but prospective investors are advised to make their own enquiries as to such procedures. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the Clearing Systems) currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Trustee, the Initial Purchaser or any party to the Agency Agreement (or any Affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act), will have any responsibility for the performance by the Clearing Systems or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below.

1. Euroclear, Clearstream, Luxembourg and DTC

General: Custodial and depositary links have been established between Euroclear and Clearstream, Luxembourg and DTC which facilitate the initial issue of the Notes (other than the Class A1A Notes) and cross market transfers of such Notes associated with secondary market trading. (See Section 4 (*Settlement and Transfer of Notes*) below).

Euroclear and Clearstream, Luxembourg: Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Investors may hold their interests in a Regulation S Global Note directly through Euroclear or Clearstream, Luxembourg if they are accountholders (together with Direct DTC Participants (as defined below), "**Direct Participants**") or indirectly (together with Indirect DTC Participants (as defined below), "**Indirect Participants**"; and Indirect Participants, together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

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

Investors may hold their interests in a Rule 144A Global Note directly through DTC if they are participants ("**Direct DTC Participants**") in the DTC system, or indirectly through organisations which are participants in such system ("**Indirect DTC Participants**" and together with Direct DTC Participants, "**DTC Participants**").

DTC has advised the Issuer that it will take any action permitted to be taken by a Noteholder (including, without limitation, the presentation of Global Notes for exchange as described above) only at the direction of one or more DTC Participants in whose accounts with DTC interests in Rule 144A Global Notes are credited and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described in Section 3 (*Exchange for Definitive Notes*) under "*Form of the Notes*" above, DTC will surrender the relevant Rule 144A Global Notes for exchange for individual Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

2. Book Entry Ownership

Euroclear and Clearstream, Luxembourg: Each Regulation S Global Note will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

DTC: Each Rule 144A Global Note will have a CUSIP number and will be deposited with a custodian (the "**DTC Custodian**") for, and registered in the name of Cede & Co. as nominee of, DTC. The DTC Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

3. Payments and Relationship of Participants with Clearing Systems

General: Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note represented by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note (save in the case of payments not effected in U.S. dollars pursuant to separate payment arrangements outside DTC, as referred to below) and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and the obligations of the Issuer will be discharged by payment to the holder of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Currency of Payments: Payments of principal and interest in respect of Rule 144A Global Notes will be made in accordance with the following provisions:

(a) in the case of those DTC Participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payments, on or prior to the third DTC Business Day (as defined below) after the Record Date for the relevant payment of interest and, in the case of principal payments, at least 12 DTC Business Days prior to the relevant payment date of principal, to receive such payment in the relevant currency, by wire transfer in immediately available funds to the bank account designated by such Noteholder in such election notice in such currency; and

(b) in the case of those DTC Participants entitled to receive the relevant payment who have made no such election, by conversion of such amounts into U.S. dollars by the Exchange Rate Agent and delivery thereof by the Exchange Rate Agent, after converting amounts in such currency into U.S. dollars, in same day funds to DTC for payment through its settlement system to those DTC Participants entitled to receive Euro. The Agency Agreement sets out the manner in which such conversions are to be made.

"**DTC Business Day**" means a day on which DTC is open for business.

4. Settlement and Transfer of Notes

General: Subject to the rules and procedures of each applicable Clearing System, purchases of Notes held through a Clearing System must be made by or through Direct Participants, which will receive a credit for such Notes on the Clearing System's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the records of the Direct Participant or Indirect Participant (as the case may be). Beneficial Owners will not receive written confirmation from any Clearing System of their purchase. Transfers of ownership interests in Notes held through a Clearing System will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in such Notes unless and until any Global Note in respect of which they have such an ownership interest held through a Clearing System is exchanged for Definitive Notes. The Notes represented by the Rule 144A Global Notes are expected to be eligible to trade in the PORTAL market.

The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants, the ability of a person having an interest in a Rule 144A Global Note to pledge such interest to

persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of a physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants: Secondary market sales of book entry interests in Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book entry interests in Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

An owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification, *provided* that (1) prior to the expiration of the Distribution Compliance Period such transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and (2) after the expiration of the Distribution Compliance Period, any transfer not effected in an offshore transaction in accordance with Rule 904 of Regulation S may be made only upon provision to the Registrar of written certification from the transferee and transferor in the form provided for in the Trust Deed.

Trading between DTC Participants: Secondary market sales of book entry interests in Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement (SDFS) system in same day funds, if payment is effected in U.S. dollars, or free of charge, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC Participants.

An owner of a beneficial interest in a Rule 144A Global Note may transfer such interest in the form of a beneficial interest in such Rule 144A Global Note without the provision of written certification if the transferee is a Qualified Institutional Buyer.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser: When book entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in a Rule 144A Global Note to the account of an Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note (subject to any certification procedures, if applicable, provided in the Trust Deed), the DTC Participant will deliver instructions for delivery to the Euroclear or Clearstream, Luxembourg accountholder to DTC by 12.00 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the DTC Custodian of the Rule 144A Global Note will instruct the Registrar to (i) decrease the principal amount of Notes registered in the name of Cede & Co., and evidenced by the Rule 144A Global Note of the Relevant Class of Notes and (ii) increase the principal amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note. Book entry interests will be delivered free of charge to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first Business Day following the settlement date.

An owner of a beneficial interest in a Rule 144A Global Note may transfer such interest to a transferee who takes delivery of such interest through a Regulation S Global Note prior to the expiration of the Distribution Compliance Period only upon provision to the Registrar of written certification from the transferor in the form provided in the Trust Deed to the effect that such transfer is being made in an offshore transaction (within the meaning of Regulation S) in accordance with Regulation S.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser: When book entry interests in the Notes are to be transferred from the account of an Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in a Rule 144A Global Note (subject to any certification procedures, if applicable, provided in the Trust Deed), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of charge instructions by 7.45 p.m., Brussels or Luxembourg time respectively, one Business Day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit

appropriate instructions to the DTC Custodian of the Rule 144A Global Note who will in turn deliver such book entry interests in the Notes free of charge to the relevant account of the DTC Participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note and (ii) increase the principal amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note.

An owner of a beneficial interest in a Regulation S Global Note may transfer such interest to a transferee who takes delivery of such interest through a Rule 144A Global Note only upon provision to the Registrar of written certifications from the transferor of the beneficial interest in the form provided in the Trust Deed to the effect that, among other things, such transfer is being made to a person whom the transferor reasonably believes is a Qualified Institutional Buyer, acquiring the Notes for its own account and to whom notice is given that the resale, pledge or other transfer is being made in reliance on an exemption from the registration requirements of the Securities Act, and (b) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction and from the transferee in the form provided for in the Trust Deed.

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

Pre issue Trades Settlement: It is expected that delivery of the Notes (other than the Class A1A Notes) will be made against payment therefor on the Issue Date, which could be more than three Business Days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the United States secondary market generally are required to settle within three Business Days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding Business Days until the Issue Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of the Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the Issue Date should consult their own adviser.

5. Class A1A Notes

For the avoidance of doubt, the Class A1A Notes will not be cleared through any of Euroclear, Clearstream, Luxembourg or DTC.

RATING OF THE RATED NOTES

It is a condition of the issuance and offering that the Senior Notes and the other Rated Notes be issued with at least the following ratings assigned: Senior Notes: "AAA" by Fitch and "AAA" by S&P; Class B Notes: "AA" by Fitch and "AA" by S&P; Class C Notes: "A" by Fitch and "A" by S&P; Class D Notes: "BBB" by Fitch and "BBB" by S&P; Class E Notes: "BB" by Fitch and "BB" by S&P. The Class N Notes being offered hereby will not be rated.

The ratings of the Senior Notes address the timely payment of interest and the ultimate repayment of principal by the Maturity Date. The ratings of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes address the ultimate (rather than timely) payment of interest and ultimate repayment of principal by the Maturity Date.

The ratings assigned to the Senior Notes and the other Rated Notes by the Rating Agencies are based upon their assessment of the probability that the Collateral Debt Securities will provide sufficient funds to pay all amounts due under the Senior Notes and each other Class of the Rated Notes, based largely upon the Rating Agencies' statistical analysis of historical default rates on debt obligations with various ratings, the asset and interest coverage required for the Senior Notes and each other Class of the Rated Notes (which is achieved through the subordination of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class N Notes (in the case of the Senior Notes), the subordination of the Class C Notes, the Class D Notes, the Class E Notes and the Class N Notes (in respect of the Class B Notes), the subordination of the Class D Notes, the Class E Notes and the Class N Notes (in respect of the Class C Notes), the subordination of the Class E Notes and the Class N Notes (in the case of the Class D Notes) and the subordination of the Class N Notes (in the case of the Class E Notes) and the diversification requirements that the Collateral Debt Securities are required to satisfy.

The ratings assigned to the Notes rated by Fitch are based upon its assessments of the probability that the Collateral Debt Securities will provide sufficient funds to pay each such Class of Notes based largely upon Fitch statistical analysis of historical default rates on debt obligations with various ratings and the asset and interest coverage required for the relevant Class of Notes.

Fitch analyses the likelihood that each Collateral Debt Security will default, based on historical default rates for similar debt obligations, the historical volatility of such default rates (which increases as securities with lower ratings are added to the portfolio) and an additional default assumption to account for future fluctuations in defaults. Fitch then determines the level of credit protection necessary based on a specific percentile of the portfolio default distribution determined by the Weighted Average Fitch Rating Factor which takes into account the correlation between assets in the portfolio based on the level of diversification by region, issuer and industry. The results of a statistical analysis are incorporated into a cash flow model built to mimic the structure of the transaction. In this regard, the results of several default scenarios, in conjunction with various qualitative tests (e.g., analysis of the strength of the portfolio manager), are used to determine the credit enhancement required to support a particular rating.

There can be no assurance that the actual loss on the Collateral Debt Securities will not exceed those assumed in the application of Fitch models or Fitch Recovery Rates and the timing of recovery with respect thereto will not differ from those assumed by Fitch in its model. Neither the Issuer nor the Collateral Manager makes any representations as to the expected rate of defaults on the Portfolio or as to the expected timing of any defaults that may occur. The rating of the Notes by Fitch will be established under various assumptions and scenario analysis.

There can be no assurance that actual defaults on the Collateral Debt Securities will not exceed those assumed by Fitch in its analysis, or that recovery rates with respect thereto (and consequently loss rates) will not differ from those assumed by Fitch.

S&P will rate the Senior Notes and the other Rated Notes in a manner similar to the manner in which it rates other structured issues. This requires an analysis of the following:

(a) the credit quality of the portfolio of Collateral Debt Securities securing the Notes;

(b) the cash flow used to pay liabilities and the priorities of these payments; and

(c) legal considerations.

Based on these analyses, S&P determines the necessary level of credit enhancement needed to achieve a desired rating. S&P analysis includes the application of its proprietary default expectation computer model (the "**CDO Evaluator**"), which is used to estimate the default rate S&P projects the Portfolio is likely to experience and which will be provided to the Collateral Manager on or before the Issue Date. The CDO Evaluator calculates the cumulative default rate of a pool of Collateral Debt Securities and Eligible Investments consistent with a specified benchmark rating level based upon S&P proprietary corporate debt default studies. The CDO Evaluator takes into consideration the rating of each issuer or obligor, the number of issuers or obligors, the issuer or obligor industry concentration, country of origin and the remaining weighted average maturity of each of the Collateral Debt Securities included in the Portfolio. The risks posed by these variables are accounted for by effectively adjusting the necessary default level needed to achieve a desired rating. The higher the desired rating, the higher the level of defaults the Portfolio must withstand. For example, the higher the issuer or obligor industry concentration or the longer the weighted average maturity, the higher the default level is assumed to be.

Credit enhancement to support a particular rating is then provided on the results of the CDO Evaluator, as well as other more qualitative considerations such as legal issues and management capabilities. Credit enhancement is typically provided by a combination of over collateralisation/subordination, cash collateral/reserve account, excess spread/interest and amortisation. A cash flow model (the "**Transaction Specific Cash Flow Model**") prepared by the seller or adviser is used to evaluate the portfolio and determine whether it can comfortably withstand the estimated level of default while fully repaying the class of debt under consideration.

There can be no assurance that actual losses on the Collateral Debt Securities will not exceed those assumed in the application of the CDO Evaluator or that recovery rates and the timing of recovery with respect thereto will not differ from those assumed in the Transaction Specific Cash Flow Model. None of S&P, the Issuer, the Collateral Manager, the Collateral Administrator, the Trustee or the Initial Purchaser makes any representation as to the expected rate of defaults on the Portfolio or as to the expected timing of any defaults that may occur. After the Reinvestment Period, the CDO Evaluator Test will be satisfied if after giving effect to the purchase or sale of a Collateral Debt Security, the rate of defaults on the then current Portfolio is no worse than that determined in respect of the Portfolio existing on the Issue Date.

S&P ratings of the Senior Notes and the other Rated Notes will be established under various assumptions and scenario analyses. There can be no assurance that actual defaults on the Collateral Debt Securities will not exceed those assumed by S&P in its analysis, or that recovery rates with respect thereto (and, consequently, loss rates) will not differ from those assumed by S&P.

In addition to these quantitative tests, the Rating Agencies' ratings take into account qualitative features of a transaction, including the experience of the Collateral Manager, the legal structure and the risks associated with such structure and other factors that they deem relevant.

In addition, a portion of the Collateral Debt Securities will not be rated by the Rating Agencies but will be assigned a rating pursuant to the methodology described herein. See "*Description of the Portfolio—The Collateral Quality Tests*" below.

The Collateral Manager will request the Rating Agencies' confirmation, within 30 days after the Target Date, that there has been no Target Date Rating Downgrade.

None of the Issuer, the Trustee, the Collateral Manager, the Collateral Administrator, the Capital Commitment Registrar or the Initial Purchaser makes any representation as to the expected rate of default on the Collateral Debt Securities, the expected timing of any default that may occur or the rate of recoveries or losses in respect of Defaulted Securities.

Prospective investors must seek their own advice and make appropriate determinations and decisions thereunder.

DESCRIPTION OF THE ISSUER

General

The Issuer, is a special purpose company, set up as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands on 4 April 2007 having its corporate seat in Amsterdam and its registered office at Rivierstaete Building, Amsteldijk 166, 1079 LH Amsterdam, The Netherlands. The Issuer's telephone number +31 (0)20644 4558. The Issuer is registered in the commercial register of the Chamber of Commerce and Industries for Amsterdam under number 34271100.

Corporate Purpose of the Issuer

The Articles of Association (the "**Articles**") of the Issuer provide that the objects of the Issuer are:

(a) to raise funds through, *inter alia*, borrowing under loan agreements, the issuance of bonds, notes and other evidences of indebtedness, the use of financial derivatives or otherwise and to invest and put out funds obtained by the Issuer in, *inter alia*, (interests in) loans, bonds, debt instruments and other evidences of indebtedness, shares, warrants and other similar securities and other financial derivatives;

(b) to grant security for the Issuer's obligations and debts;

(c) to enter into agreements, including, but not limited to, financial derivatives such as interest and/or currency exchange agreements, in connection with the objects mentioned under paragraphs (a) and (b);

(d) to enter into agreements, including, but not limited to, bank, securities and cash administration agreements, asset management agreements and agreements creating security in connection with the objects mentioned under paragraphs (a), (b) and (c) above.

Business Activity

The Issuer has not previously carried on any business or activities other than those incidental to its incorporation, the acquisition of the Portfolio, the authorisation and issue of the Notes and activities incidental to the exercise of its rights and compliance with its obligations under the Notes, the Transaction Documents and the other documents and agreements entered into in connection with the issue of the Notes and the purchase of the Portfolio.

Management

The Issuer's current Managing Directors are:

Name	Occupation	Business Address
Shareen Leijdesdorff-Perret Gentil	Supervisory Director of Structured Finance Management (Netherlands) B.V.	Rivierstaete Building, Amsteldijk 166, 1079 LH Amsterdam, The Netherlands
Geert Kruizinga	Managing Director of Structured Finance Management (Netherlands) B.V.	Rivierstaete Building, Amsteldijk 166, 1079 LH Amsterdam, The Netherlands
Henry Samuel Leijdesdorff	Managing Director of Structured Finance Management (Netherlands) B.V.	Rivierstaete Building, Amsteldijk 166, 1079 LH Amsterdam, The Netherlands

Pursuant to a management agreement (the "**Management Agreement**"), the Managing Directors will provide management, corporate and administrative services to the Issuer. The Issuer may terminate the Management Agreement by giving not less than 60 days' written notice. The Managing Directors may retire from their obligations pursuant to the Management Agreement by giving at least two months' notice in writing to the Issuer. Upon or prior to the termination of the Management Agreement, successor managing directors will be appointed to provide management, corporate and administrative services to the Issuer.

Managing Director's Experience

Mrs. Shareen Leijdesdorff-Perret Gentil is a lawyer, graduate of the "*Vrije Universiteit*" in Amsterdam. She has past working experience with MeesPierson Trust in Curaçao, where she was working as a legal assistant and

account manager. In September 1995 she was a founder and became a managing director of IMFC Management B.V. a company specialising in the management and administration of holding and finance companies. Mrs. Perret Gentil was appointed as a supervisory director of Structured Finance Management (Netherlands) B.V. in October 2005.

Mr. Geert Kruizinga is a Higher National Business School graduate, specialised in accounting. He worked for the Citco Group in Curaçao and Amsterdam as an accountant and senior account manager in the Mutual Fund Administration Department for over 12 years. Mr. Kruizinga joined IMFC in 1999 as the finance director. Mr. Kruizinga was appointed as a managing director of Structured Finance Management (Netherlands) B.V. in October 2005. Mr. Kruizinga is responsible for the accounting department of Structured Finance Management (Netherlands) B.V.

Mr. Henry S. Leijdesdorff is a lawyer, graduate of the University of Leiden. He started his professional career in 1980 with the trust division of the Citco Group in Curaçao. After his four-year stay in the Caribbean, he moved to the offices of Citco in Amsterdam where he was the managing director from 1991. In September 1995 he was a founder and became a managing director of IMFC Management B.V. Mr. Leijdesdorff was appointed as a managing director of Structured Finance Management (Netherlands) B.V. in October 2005. Structured Finance Management (Netherlands) B.V. specialises in the management, administration and ownership of special purpose vehicles related to asset securitisation and other secured finance transactions.

Capital and Shares

The Issuer's issued share capital is €20,000, which is fully paid up and divided into 20 shares with a nominal value of €1,000 each.

Capitalisation

The capitalisation of the Issuer as at the date of this Prospectus, adjusted for the issue of the Notes and the Total Commitments, is as follows:

Share Capital		**€**
Issued and fully paid 20 ordinary registered shares of €1,000 each		20,000
Loan Capital		**€**
Commitment under Class A1A Notes		75,000,000
Class A1B Notes		75,000,000
Class A2 Notes		48,800,000
Class B Notes		24,130,000
Class C Notes		21,900,000
Class D Notes		22,020,000
Class E Notes		10,780,000
Class N Notes		32,800,000
Total Capitalisation		310,450,000*

* This assumes that the Class A1A Notes are fully drawn as of the Issue Date.

Indebtedness

The Issuer has no indebtedness as at the date of this Prospectus, other than that which the Issuer has incurred or shall incur in relation to the transactions contemplated herein.

Holding Structure

The entire issued share capital of the Issuer is owned by Stichting Gresham Capital CLO IV, a foundation (*stichting*) established under the laws of The Netherlands having its registered office at Rivierstaete Building, Amsteldijk 166, 1079 LH Amsterdam, The Netherlands (the "**Foundation**").

None of the Collateral Manager, the Collateral Administrator, the Trustee or any company affiliated with any of them, directly or indirectly, owns any of the share capital of the Issuer. Structured Finance Management (Netherlands) B.V. is the sole director of the Foundation.

Pursuant to the terms of a management agreement dated on or about the Issue Date between the Foundation and Structured Finance Management (Netherlands) B.V. and a letter of undertaking dated on or about the Issue

Date between, *inter alia*, the Foundation, Structured Finance Management (Netherlands) B.V. and the Trustee measures will be put in place to limit and regulate the control which the Foundation can exercise over the Issuer.

Subsidiaries

The Issuer has no subsidiaries.

Administrative Expenses of the Issuer

The Issuer is expected to incur certain Administrative Expenses (as defined in Condition 1 (*Definitions*) of the "*Conditions of the Notes*").

Financial Statements

The Issuer has not prepared any audited financial statements prior to the Issue Date. The first financial year of the Issuer will end on 31 December 2007.

DESCRIPTION OF THE COLLATERAL MANAGER

The information appearing in this section relating to the Collateral Manager has been prepared by Investec Principal Finance, a business unit division of Investec Bank (UK) Ltd. ("**Investec**") or one of its Affiliates and has not been independently verified by the Issuer. Accordingly, notwithstanding anything to the contrary herein, the Issuer does not assume any responsibility for the accuracy, completeness or applicability of such information. The Collateral Manager accepts responsibility for the information contained in this section to the extent that it is correct to the best of its knowledge as at the Issue Date.

The Collateral Manager

Investec Principal Finance ("**IPF**"), a business unit division within Investec will be providing the collateral management services to the Issuer in conjunction with Investec Acquisition Finance ("**IAF**"), another business unit within Investec.

IPF was established in mid-2005 and was set up to develop the securitisation and principal finance business within Investec. IPF currently has a team of over 30 professionals with related experience in the management, structuring, syndication and trading of both leveraged loans and collateralised loan obligations. IPF is able to draw on Investec's large banking infrastructure and in particular relies upon IAF for sourcing, assessment and ongoing surveillance of Bank Loans, Mezzanine Loans and Second Lien Loans.

IAF was established in early 2004 to build up and hold a diversified book of European leveraged loans for Investec, with a focus on private equity sponsor backed pan-European transactions, with enterprise values in excess of €500,000,000. From the outset the intention had been that once a solid reputation and track record was established, a fund/CLO franchise would be rolled out and going forward, the intention will be to continue to grow the size of Investec's leveraged loan portfolio while at the same time becoming a collateral manager for CLO issuers. IAF currently has a team of 8 professionals.

Investec is currently the collateral manager to three other European leveraged loan CLOs, Gresham Capital CLO I B.V., which was funded in March 2006, Gresham Capital CLO II B.V., which was funded in October 2006 and Gresham Capital CLO III B.V., which was funded in December 2006.

On the Issue Date, Investec and/or one or more of its Affiliates will acquire 25 per cent. of the principal amount of the Class N Notes Outstanding. Investec and/or any fund, partnership, trust, company or any entity with respect to which it acts as investment manager will not acquire or hold at any time, directly or indirectly, more than 25 per cent. of the principal amount outstanding of the Class N Notes. It is the intention of Investec either to hold, directly or indirectly, or to have a fund, partnership, trust, company or other entity with respect to which it acts as investment manager hold, a minimum average of 19.5 per cent. of the principal amount outstanding of the Class N Notes in any five year period until maturity or earlier redemption, so long as Investec is the Collateral Manager.

Investec is a banking institution regulated by the Financial Services Authority ("**FSA**") and the South African Reserve Bank ("**SARB**"), and holds a full banking license in the United Kingdom. Investec also has the regulatory authority to act as Collateral Manager in The Netherlands.

Investment Policy

Investec manages the Portfolio for the Issuer and will determine on behalf of the Issuer how the proceeds from the Notes will be invested. The eligible collateral consists of debt obligations issued or borrowed in leveraged transactions predominantly by UK and continental European companies and to a limited extent the United States of America. The focus will be on senior secured loans complemented by mezzanine, second lien or subordinated loans and other debt securities issued by companies with strong operations and solid capital structures.

Investment Approval Procedure

Investment decisions will be made by a credit committee comprising of Andy Clapham, Henrik Malmer, Jeff Boswell and David Beadle. The quorum will be three with a provision to name one alternate if required. The credit committee will monitor credit, liquidity, currency and interest rate risk and compliance with the terms of the Trust Deed and Collateral Management Agreement. In addition, the credit committee will determine the Collateral Manager's investment strategy on behalf of the Issuer and review the Portfolio on a regular basis. In

practice, all members of the IPF and IAF team will be encouraged to contribute their views to the matters considered by the credit committee in order to ensure that the experience of all members of staff is included where relevant.

New investment opportunities will be subject to appraisal in two contexts:

- First, the suitability of the proposed new investment in terms of the Portfolio, i.e. with reference to the required diversity score and weighted average rating, to currency and interest rate risk and to issuer and country concentration rules, etc.

- Second, to the cash flow and credit worthiness of the proposed obligor, taking into account both financial and commercial risks, industry and economic factors and strategic and financial structuring considerations.

In addition, any asset sales will be subject to the review of the credit committee, taking into account the rationale for any sale and relative value considerations.

Where the Collateral Manager, on behalf of the Issuer, is making an investment in the private debt markets, it will usually make use of reports from specialist advisers who performed due diligence on, for example, the historic and forecast financial performance of the proposed borrower, tax, pension and legal issues. The Collateral Manager will perform, *inter alia*, a detailed commercial assessment of the borrower, including cash flow modelling and stress testing, industry and economic reviews, management meetings and site visits (where practical and necessary).

There may be circumstances where debt investments are split between Investec and/or one or more funds managed by Investec or transferred in whole or in part between them. This may enable Investec and/or one or more of the funds managed by Investec to benefit from sufficiently large participations to maximise arrangement fees or meet diversity/size requirements. No such transactions will be made unless in the best interests of the parties involved. If appropriate, third party or market valuations would be taken to validate transfer values.

Key Biographies

The following sets out the biographies of the key personnel on the team.

Andy Clapham joined Investec in July 2005 as Head of the IPF. Previous to joining, Andy spent 5 years as Senior Managing Director running the European Securitisation and Principal Finance businesses at Bear Stearns. Prior to that Andy was Managing Director and Head of Principal Finance at Nikko CDO Securities. Whilst there, Andy was responsible for managing the public to private of Powell Duffryn, and the subsequent £300m leveraged whole business securitisation, as well as managing other investments such as the Roadchef Motorway Service Area chain. Prior to that Andy spent 13 years as Managing Director at Greenwich Natwest as head of its Securitisation and Principal Finance business. During this time Andy was responsible for arranging and managing the world's first CLO in 1991 — $1bn Thames Funding programme, and for arranging and managing the world's first balance sheet CLOs — Rose Funding No.1 and Rose Funding No.2 - $10bn in size. In addition to this, Andy arranged and managed Europe's first asset backed CBO — $500m TAGS No.1 Plc. Andy also arranged and was responsible for managing a $10bn asset backed CP programme — Thames Asset Global Securitisation Inc ("**TAGS**"). Andy is accredited with being one of the founders of the CDO market, developing innovative programs such as Rose Funding. Andy has 20 years experience in Europe of successfully managing over $25bn in assets as diverse as corporate loans, leveraged loans, asset backed bonds, lease receivables and business cashflows. Andy has a BSc in Mechanical Engineering from Nottingham University.

Henrik Malmer joined Investec in September 2005 as Head of ABS/CDO Trading. He trades the proprietary trading book for IPF and plays an essential part in the risk management of the residential and commercial mortgage business and the CLO/CDO management business. Henrik has spent time at both Wachovia Securities and Bear Stearns in the role of ABS/CDO Secondary Trader as well as ABS/CDO Syndication. Henrik was also involved in the management of assets before their inclusion in 3rd party CDOs at Bear Stearns as well as playing an active role in the reverse engineering and fundamental analysis of ABS/CDOs for the trading desk and for CDO managers. He has a BSc in Economics and an MSc in Investment Management from Cass Business School and speaks Swedish, French and Spanish.

Jeff Boswell joined Investec in early 2004 to establish the Acquisition Finance business in the UK. He previously spent 2 years with NIB Capital Bank where he was responsible for origination and analysis of new leveraged loan transactions, with a focus on lead arranging and underwriting. Jeff has led the development of IAF, establishing solid relationships with lead arranging banks and building credibility within a mature market place. Jeff qualified as a Chartered Accountant with BDO, whom he joined in 1997, and subsequently worked within the Structured Finance division of BOE Merchant Bank in South Africa from 2000 - 2002. His role there included the development of structured corporate debt solutions, origination and underwriting of leveraged buyouts and credit analysis of corporate clients. Jeff is also a Chartered Financial Analyst charter holder, and has a Bachelor of Commerce (Honours) degree from the University of South Africa.

David Beadle joined Investec in May 2005, to work alongside Jeff in the ongoing development of IAF's business, with a particular focus on the CLO programme, for which he performs the role of portfolio manager. Prior to Investec David was with NIB Capital for 3 years, where he led the origination and analysis team for the North Westerly CLO business. He previously spent 17 years with The Royal Bank of Scotland where he undertook a variety of front line and credit roles in Corporate Banking, culminating in 5 years in Leveraged Finance where he had senior roles in both loan management (1998-2000) and origination of lead transactions (2000-2002). David is an Associate of the Chartered Institute of Bankers.

DESCRIPTION OF THE PORTFOLIO

1. Introduction

Pursuant to the Collateral Management Agreement, the Collateral Manager is required to act as the Issuer's manager in respect of the Portfolio, to act in specific circumstances in relation to the Portfolio on behalf of the Issuer and to carry out the duties and functions described below. Pursuant to the Collateral Administration Agreement, the Collateral Administrator is required to perform certain calculations in relation to the Portfolio on behalf of the Issuer.

The acquisition of Collateral Debt Securities by, or on behalf of, the Issuer will take place during three periods: (a) on or prior to the Issue Date; (b) the Ramp-Up Period; and (c) the period from the end of the Ramp-Up Period until the end of the Reinvestment Period. In certain limited circumstances, the Collateral Manager on behalf of the Issuer may acquire further Collateral Debt Securities after the Reinvestment Period. The Collateral Manager on behalf of the Issuer will purchase a portfolio of Bank Loans, Mezzanine Loans, Second Lien Loans, CLO Securities, Special Debt Securities and Synthetic Securities or enter into Participations relating thereto on or prior to the Issue Date. Second, after the Issue Date and during the Ramp-Up Period, the net proceeds of the issue of the Notes deposited in the Initial Proceeds Account, together with any drawings under the Class A1A Notes, will be applied in the acquisition of Additional Collateral Debt Securities. Third, the Issuer will have until the end of the Reinvestment Period to draw fully on the Class A1A Notes and to use amounts standing to the credit of the Additional Collateral Account or the Sterling Additional Collateral Account to purchase further Collateral Debt Securities. The Collateral Manager on behalf of the Issuer is expected to acquire Collateral Debt Securities having an aggregate Principal Balance of €300,000,000 (the "**Target Par Amount**" (with the Sterling amount of any Sterling Collateral Debt Securities being converted into Euro at the Issue Date Spot Rate)) prior to the end of the Ramp-Up Period using proceeds from the drawings under the Class A1A Notes and the net proceeds derived from the issue of the other Notes, subject to the restrictions described below. It is anticipated that the Issuer or the Collateral Manager on its behalf will have purchased, or entered into agreements to purchase, Collateral Debt Securities having an aggregate Principal Balance of at least 70 per cent. of the Target Par Amount on or prior to the Issue Date.

The Collateral Debt Securities purchased by the Collateral Manager on behalf of the Issuer during the Ramp-Up Period and the Reinvestment Period will be required to satisfy the Eligibility Criteria and the Reinvestment Criteria, respectively. After the Reinvestment Period, Unscheduled Principal Proceeds and Sale Proceeds of any Credit Improved Securities, at the option of the Collateral Manager and subject to certain restrictions, may be used to purchase Collateral Debt Securities satisfying the Reinvestment Criteria and the Additional Reinvestment Criteria.

The Collateral Debt Securities will be constituted and/or evidenced by the various trust deeds, indentures, loan agreements, participation agreements, swap agreements and other similar instruments applicable thereto.

All references herein to the acquisition or purchase of Collateral Debt Securities and Additional Collateral Debt Securities shall include provision by, or on behalf of, the Issuer of Synthetic Security Collateral in respect of Synthetic Securities so purchased or acquired.

2. The Portfolio

Collateral Debt Securities will be purchased by the Collateral Manager on behalf of the Issuer pursuant to certain Collateral Acquisition Agreements.

It is expected that on or about the Issue Date, the Issuer will have purchased, or entered into agreements to purchase, Collateral Debt Securities having an aggregate Principal Balance of at least 70 per cent. of the Target Par Amount. Any Collateral Debt Securities sold by the Collateral Manager or by the Initial Purchaser to the Issuer on or about the Issue Date will be sold by the Collateral Manager or the Initial Purchaser, as the case may be, to the Issuer, if acquired by the Collateral Manager or the Initial Purchaser in the primary market, at par and if acquired by the Collateral Manager or the Initial Purchaser in the secondary market, at the market price at which the Collateral Manager or the Initial Purchaser had purchased such Collateral Debt Security in the secondary market.

Any net proceeds of issue of the Notes remaining on the Issue Date which are not required in settlement of agreements to purchase Collateral Debt Securities entered into on or prior to the Issue Date, to pay various fees and expenses or to pay the premium in respect of the Issuer entering into the Initial Hedge Agreement, will be

paid into the Initial Proceeds Account on the Issue Date and the Collateral Manager (acting on behalf of the Issuer) may use amounts standing to the credit of such account and drawings on the Class A1A Notes to purchase the Collateral Debt Securities during the Ramp-Up Period, as described below.

3. Ramp-Up Period

The Ramp-Up Period shall commence on the Issue Date and will end on the Target Date unless extended as described below. At any time during the Ramp-Up Period, amounts standing to the credit of the Initial Proceeds Account together with any drawings under the Class A1A Notes, may be applied in the acquisition of Additional Collateral Debt Securities which satisfy the Eligibility Criteria. Each Additional Collateral Debt Security must also be purchased by the Collateral Manager on behalf of the Issuer in a manner as provided in the Collateral Management Agreement.

Target Date: The Target Date shall be the earlier of (a) 18 January 2008 and (b) the date specified as such by the Collateral Manager in accordance with the terms of the Collateral Management Agreement. The Collateral Manager shall not specify the Target Date pursuant to paragraph (b) unless the Target Date Rating Requirement will be met on such date.

The Collateral Manager shall request that the Rating Agencies confirm the ratings assigned by them respectively on the Issue Date to the Senior Notes and the other Rated Notes within 30 days after the Target Date. In the event that the Collateral Manager does not receive from the Rating Agencies within such 30 day period confirmation that the ratings assigned by the Rating Agencies on the Issue Date to the Senior Notes and each other Class of the Rated Notes have not been reduced or withdrawn, the Target Date shall be extended to the earlier of (a) the date on which the Collateral Manager receives such confirmation from the Rating Agencies (or in the event that any such ratings have been reduced or withdrawn, confirmation that such ratings have been reinstated), and (b) the Determination Date falling immediately after the date which but for such extension would have been the Target Date.

If the Target Date Rating Requirements are not achieved on the Target Date, then all further purchases of Collateral Debt Securities shall cease until the Collateral Manager, acting on behalf of the Issuer, prepares and presents to the Rating Agencies a plan setting forth the timing and manner of acquisition of Collateral Debt Securities which will satisfy the Target Date Rating Requirements and such plan of acquisition is the subject of Rating Agency Confirmation.

If either (a)(i) the initial ratings of the Senior Notes and the other Rated Notes are downgraded or withdrawn by the Rating Agencies or (ii) either of the Rating Agencies notifies the Issuer or the Collateral Manager on behalf of the Issuer that such Rating Agency intends to downgrade or withdraw its initial ratings of the Senior Notes and the other Rated Notes, in each case, upon request for confirmation thereof to the Rating Agencies by the Collateral Manager, acting on behalf of the Issuer, following the Target Date; or (b) the Rating Agencies do not provide a Rating Agency Confirmation with respect to the plan of acquisition of the Collateral Debt Securities provided by the Collateral Manager following the failure to meet the Target Date Rating Requirements on the Target Date by the immediately following Determination Date, amounts standing to the credit of the Initial Proceeds Account will, on such Determination Date, be transferred to the Euro Payment Account and shall be deemed to constitute Euro Principal Proceeds for the purpose of the application of Principal Proceeds pursuant to the Priorities of Payment. If the Rating Agencies confirm the ratings assigned by them respectively on the Issue Date to the Senior Notes and the other Rated Notes within 30 days after the Target Date, the Collateral Manager may on behalf of the Issuer designate such funds as being available for reinvestment and if so designated will be transferred to the Additional Collateral Account.

As of the Target Date the following criteria are required to be met (the "**Target Date Rating Requirement**"): (i) each of the Collateral Quality Tests, the Coverage Tests and paragraph (c) of the Eligibility Criteria are satisfied on such date; and (ii) the aggregate of the Principal Balances of the Collateral Debt Securities is at least 99.5 per cent. of the Target Par Amount and for the purposes of determining the aggregate Principal Balances of the Collateral Debt Securities in connection with the Target Par Amount, any prepayments or repayments of the Collateral Debt Securities after the Issue Date shall be disregarded and any Sterling amounts of any Sterling Collateral Debt Securities shall be converted into Euro at the Issue Date Spot Rate.

No further Collateral Debt Securities may be purchased by the Collateral Manager on behalf of the Issuer after the Ramp-Up Period other than (a) during the Reinvestment Period and in accordance with the Reinvestment Criteria or (b) after the Reinvestment Period using Unscheduled Principal Proceeds or Sale Proceeds of any Credit Improved Securities, at the option of the Collateral Manager and subject to certain

restrictions as set out in the Collateral Management Agreement and described in more details below. See "*Sale of Collateral Debt Securities and Reinvestment Criteria*" below.

4. Eligibility Criteria

A Bank Loan, Mezzanine Loan, Second Lien Loan, CLO Security, Special Debt Security or Synthetic Security, including any Participation (together "**Collateral Debt Securities**") will satisfy the "**Eligibility Criteria**" if each of the following conditions are satisfied at the time of acquisition thereof by the Issuer:

(a) It:

(i) is an obligation of an obligor incorporated or established in one of (each a "**Qualifying Country**") (A) Austria, Belgium, Denmark, Finland, France, Germany, Republic of Ireland, Italy, Luxembourg, Liechtenstein, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland or the United Kingdom (including the Channel Islands and the Isle of Man) or (B) any other EU Member State or other country the subject of Rating Agency Confirmation by S&P from time to time or (C) any country the subject of Rating Agency Confirmation by Fitch from time to time or (D) any other EU Member State or other country with a foreign currency long term debt rating of at least "A-" by Fitch and "AA-" by S&P or (E) the United States of America, *provided* that if any obligor incorporated or established in a jurisdiction mentioned in paragraph (A), (B), (C), (D) or (E) falls within the definition of Emerging Market Issuer, no obligation of that obligor shall satisfy the Eligibility Criteria set out in this paragraph (a)(i) and for the purposes of determining the jurisdiction of incorporation or establishment (x) the obligor in respect of a Participation is deemed to be the obligor of the Collateral Debt Security to which such Participation relates and not the Selling Institution and (y) the obligor in respect of a Synthetic Security is deemed to be the obligor of the related Reference Obligation and not the Synthetic Security Obligor;

(ii) is denominated in Euro (or is denominated in one of the predecessor currencies of those EU Member States which have adopted the Euro as their currency) or pounds Sterling and is not convertible into or payable in any other currency after acquisition, *provided* that where an obligation is denominated in a currency other than Euro or Sterling, such obligation shall be deemed to satisfy this criteria if it is the subject of an Asset Swap Transaction pursuant to a Hedge Agreement swapping all non-Euro amounts into Euro amounts;

(iii) is a Special Debt Security, a Bank Loan, a Mezzanine Loan, a Second Lien Loan, a CLO Security, a Synthetic Security or a Participation in respect of one of the foregoing;

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

(v) is not a Dutch Ineligible Security and if the obligor or obligors of a Bank Loan, a Mezzanine Loan or a Second Lien Loan is or are resident in, or incorporated under the laws of The Netherlands they must be acting in the conduct of a business or profession;

(vi) is an obligation in respect of which, following acquisition thereof by the Issuer by the selected method of transfer, (1) payments will not be subject to withholding or similar tax imposed by any jurisdiction including where this is pursuant to the operation of an applicable tax treaty subject to the completion of any procedural formalities or (2) the obligation provides for "gross-up" payments to the Issuer that cover the full amount of any withholding on an after-tax basis;

(vii) is an obligation which contractually provides for the payment of interest on a floating rate basis;

(viii) is not an obligation pursuant to which future advances (whether of a revolving or a fixed nature) may be required to be made by the Issuer;

(ix) where such obligation is a Bank Loan, a Mezzanine Loan or a Second Lien Loan, it must require at least 66⅔ per cent. consent of all lenders to the obligor thereunder for any change in the principal repayment profile or interest applicable on such obligation (for the avoidance of doubt, excluding any changes originally envisaged in the loan documentation);

(x) is not a Project Finance Loan or a Structured Finance Security or a lease;

(xi) will not result in the imposition of any present or future, actual or contingent, monetary liabilities or obligations of the Issuer other than those (1) which may arise at its option; or (2) which are fully collateralised; or (3) owed to the agent bank in relation to the performance of its duties under a syndicated loan; or (4) which may arise as a result of an undertaking to participate in a financial restructuring of a Collateral Debt Security where such undertaking is contingent upon the repayment in full of such Collateral Debt Security on or before the time by which the Issuer is obliged to enter into the restructuring of the Collateral Debt Security and where the restructured Collateral Debt Security satisfies the Eligibility Criteria and such undertaking is envisaged in the initial underlying documents for such Collateral Debt Security and does not involve the advance of any new funds by the Issuer;

(xii) (A) is issued by an entity that is treated as a corporation that is not a United States real property holding corporation as defined in Section 897(c)(2) of the Code for U.S. federal income tax purposes, (B) is treated as indebtedness for U.S. federal income tax purposes and is not a United States real property interest as defined under Section 897 of the Code, or (C) with respect to which the Issuer has received advice or an opinion of a nationally recognised U.S. tax counsel experienced in such matters to the effect that the acquisition, ownership or disposition of such security will not cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. federal income tax purposes or otherwise subject the Issuer to U.S. federal income tax on a net income basis;

(xiii) the assignees or transferees of any Collateral Debt Security are expressed to be entitled to the benefit of the security (in accordance with the terms of such Collateral Debt Security and if provided with respect to such Collateral Debt Security) for such Collateral Debt Security in all material respects;

(xiv) the acquisition of any Collateral Debt Security which is a Bank Loan, a Mezzanine Loan, a Second Lien Loan or a Special Debt Security, would not cause the Issuer to breach any law or regulation which prohibits the Issuer from acting as lender pursuant to such Bank Loan, Mezzanine Loan, Second Lien Loan or Special Debt Security in the jurisdiction of the relevant Obligor;

(xv) the Collateral Debt Security is not subject to stamp duty or any similar documentary tax on transfers;

(b) (i) is not (A)(i) a Defaulted Security or a Current Pay Obligation or a Credit Risk Security or (ii) a Collateral Debt Security which, in the reasonable business judgment of the Collateral Manager, has a significant risk of declining in credit quality and, with a lapse of time, becoming a Defaulted Security or, as the case may be, a Current Pay Obligation or, as the case may be, a Credit Risk Security, (B) a security whose repayment is subject to material non-credit related risk (for example, a Collateral Debt Security the payment of which is expressly contingent upon the non-occurrence of a catastrophe or a hurricane bond or any market value collateralised bond or debt obligation), as determined in the reasonable business judgment of the Collateral Manager or (C) a security that by the terms of its underlying instruments provides for mandatory conversion or exchange into equity capital or into a debt security with a weighted average life longer, or level of subordination or rating lower, than that of the original Collateral Debt Security at any time prior to its maturity;

(ii) is capable of being sold, assigned or participated to the Issuer and, in the case of a Special Debt Security (other than a senior or subordinated unsecured loan) and a CLO Security, is cleared through DTC, Euroclear or Clearstream, Luxembourg or such other clearing system subject to Rating Agency Confirmation and its acquisition by the Issuer will not breach any applicable selling or transfer restrictions;

(iii) has a Fitch Rating and a S&P Rating;

(iv) if such Collateral Debt Security is a Participation or a Synthetic Security, then:

(A) such Participation or Synthetic Security is acquired from a Selling Institution or Synthetic Security Obligor incorporated or organised under the laws of the United States (or any state thereof), Canada (or any province thereof) or any EU Member State (other than Greece) rated at least "A-" by Fitch and "A+" by S&P;

(B) in the case of a Synthetic Security (1) Rating Agency Confirmation is obtained prior to the date of acquisition of such Synthetic Security that such Synthetic Security may be included as a Collateral Debt Security (2) such Synthetic Security has a Priority Category Recovery Rate assigned by each of Fitch and S&P, (3) such Synthetic Security has a rating assigned by each of Fitch and S&P, (4) such Synthetic Security terminates upon the redemption or repayment in full of the Reference Obligation, (5) no amounts receivable by the Issuer from the Synthetic Security Obligor in respect thereof shall be subject to withholding tax unless the Synthetic Security Obligor is obliged to pay to the Issuer additional amounts so that the payment received by the Issuer after withholding equals the gross amount to which it is entitled and (6) the acquisition, ownership or disposition of the Synthetic Security will not cause the Issuer to be subject to tax on a net income basis;

(C) in the case of a Participation, there are no more than two intermediary parties between the Issuer and the underlying obligor;

(v) is not the subject of an offer of exchange, conversion, or tender by its obligor, or by any other person, for cash, securities or any other type of consideration (other than for an obligation which is a Collateral Debt Security meeting the Eligibility Criteria and the Reinvestment Criteria), or to an optional redemption by its obligor which has been exercised, and is not convertible into equity at the option of the obligor (*provided* that such option may represent more than 2 per cent. of the market value, but only to the extent that (i) the Reinvestment OC Test would be satisfied and (ii) such amount in excess of 2 per cent. of the market value is less than or equal to the amounts standing to the credit of the Collateral Enhancement Account in both cases immediately before the entry into of the commitment to purchase such Collateral Debt Security), determined in the reasonable business judgment of the Collateral Manager, of such Collateral Debt Security;

(vi) unless it is a PIK Security, provides for interest then payable to be payable at least semi-annually and provides for periodic payments of interest to be in cash no less frequently than semi-annually, *provided* that up to 5 per cent. of the Maximum Investment Amount may consist of Collateral Debt Securities that provide for periodic payments of interest to be in cash less frequently than semi-annually, and *provided* further that a Synthetic Security may have a Reference Obligation which pays less frequently than semi-annually if such Synthetic Security requires periodic payments of interest in cash at least annually;

(vii) is an obligation which does not have a Fitch Rating of below "B-" and a S&P Rating of below "B-";

(viii) does not have a Stated Maturity which falls later than the Maturity Date of each Class of Notes, *provided* that subsequent to 18 July 2013, up to 1.75 per cent. of the Maximum Investment Amount may consist of Long Dated Securities, *provided* that the Stated Maturity for the Long Dated Securities does not extend beyond three years after the Maturity Date of the Class N Notes;

(ix) does not provide for a coupon rate or spread over the relevant index that decreases over time (other than debt obligations or securities on which interest payments are based on a floating rate index or scheduled declining principal balance or due to a decrease from a default rate of interest to a non-default rate or an improvement in the obligor's financial condition);

(x) is not a Non-Performing Security or a Collateral Debt Security which, in the reasonable business judgement of the Collateral Manager, has a significant risk of declining in credit quality and, with the lapse of time, becoming a Non-Performing Security;

(xi) in the case of a CLO Security, (I) it is not a combination note; (II) it is not a collateralised debt obligation where the investors' exposure to credit risk is taken by entering into a credit default swap with, or purchasing a credit-linked note from, a protection buyer in relation to a pool of corporate names, and at the same time, such protection buyer also provides protection through single-name credit default swaps or portfolio credit default swaps which are in relation to that pool of corporate names; (III) it is not a collateralised debt obligation managed by the Collateral Manager; and (IV) it is denominated in Euro (or is denominated in one of the predecessor currencies of those EU Member States which have adopted the Euro as their currency); (V) it does not have a Fitch Rating below "BB-" and a S&P Rating of below "BB-"; and (VI) it is not a CLO

Security managed by a collateral manager of an existing CLO Security in the Portfolio at the time of acquisition by the Issuer;

(xii) it is not a PIK Security for which interest payable thereon is then currently being deferred or capitalised;

(c) with respect of the acquisition of any Collateral Debt Security after the Target Date, each of the following requirements must be satisfied:

(i) no Mezzanine Loans, Second Lien Loans, CLO Securities or Special Debt Securities may be purchased if, following such purchase, more than 12.5 per cent. of the Maximum Investment Amount will consist of Mezzanine Loans, Second Lien Loans, CLO Securities and Special Debt Securities;

(ii) no CLO Securities may be purchased if, following such purchase, more than 5 per cent. of the Maximum Investment Amount will consist of CLO Securities;

(iii) no Special Debt Securities may be purchased if, following such purchase, more than 5 per cent. of the Maximum Investment Amount will consist of Special Debt Securities;

(iv) no Synthetic Security or Participations may be purchased if, following such purchase, the aggregate Principal Balance of Synthetic Securities, Participations and Collateral Debt Securities the subject of a Securities Lending Agreement would be more than 20 per cent. of the Maximum Investment Amount;

(v) no Collateral Debt Security may be acquired which consists of an obligation in respect of which the obligor is incorporated or established under the laws of the United States of America or any state of the United States of America if, following such purchase, more than 20 per cent. of the Maximum Investment Amount will consist of obligations in respect of which the obligors are incorporated or established under the laws of the United States of America or any state of the United States of America;

(vi) unless Rating Agency Confirmation from S&P has been received, no Collateral Debt Security which is a Participation or Synthetic Security with a counterparty rated less than "A-1+" by S&P, or issued by an obligor incorporated or established under the laws of a country rated less than "AA" by S&P may be purchased if, following such purchase, more than 20 per cent. of the Maximum Investment Amount will consist of bivariate risk exposures to:

(A) Participations with Selling Institutions rated less than "A-1+" by S&P;

(B) Synthetic Securities with Synthetic Securities Obligors rated less than "A-1+" by S&P;

(C) Collateral Debt Securities which are loaned pursuant to any Securities Lending Agreement with Securities Lending Counterparties rated less than "A-1+" by S&P; and

(D) Collateral Debt Securities in respect of which the obligors are incorporated or established under the laws of any countries rated less than "AA" by S&P;

(vii) no Sterling Collateral Debt Security may be purchased if, following such purchase, more than 25 per cent. of the Maximum Investment Amount (the "**Sterling Limit**") will consist of Sterling Collateral Debt Securities, *provided* that (1) a Sterling Collateral Debt Security the subject of a perfect asset swap pursuant to a Hedge Agreement swapping all Sterling amounts into Euro amounts shall be treated as a Euro Collateral Debt Security instead of a Sterling Collateral Debt Security for the purposes of this paragraph (c)(vii) and (2) the Sterling Limit will be reduced from time to time by an amount equal to the Cumulative Sterling Realised Losses from time to time;

(viii) no Sterling Collateral Debt Security or Non-Euro Collateral Debt Security denominated in Sterling may be purchased if, following such purchase, more than 35 per cent. of the Maximum Investment Amount (the "**Aggregate Sterling Limit**") will consist of Sterling Collateral Debt Securities and Non-Euro Collateral Debt Securities denominated in Sterling, *provided* that the Aggregate Sterling Limit will be reduced from time to time by an amount equal to the Cumulative Sterling Realised Losses from time to time;

(ix) no Collateral Debt Security which is a PIK Security may be acquired if, following such purchase, the aggregate Principal Balances of all Collateral Debt Securities that are PIK Securities is greater than 5 per cent. of the Maximum Investment Amount;

(x) if such Collateral Debt Security is a Participation or a Synthetic Security, then prior to acquisition:
(A) subject to paragraph (c)(x)(B) below, (1) the aggregate Principal Balance of all Collateral Debt Securities (i) constituting Participations and Synthetic Securities and (ii) the subject of a Securities Lending Agreement, acquired from any single Selling Institution or Synthetic Security Obligor or entered into with any single Securities Lending Counterparty and its Affiliates on the date of such investment is not greater than the amount set out in the middle column of the following table in respect of a Selling Institution or Synthetic Security Obligor or Securities Lending Counterparty or any of its Affiliates whose long term senior unsecured debt securities are rated at the level set out in the left hand column and (2) the aggregate Principal Balance of all Collateral Debt Securities (i) constituting Participations and Synthetic Securities and (ii) the subject of a Securities Lending Agreement, acquired from all Selling Institutions (including, in the case of any Participation involving more than one intermediary party from the Selling Institution, each such intermediary) or Synthetic Security Obligors or entered into with all Securities Lending Counterparties is not greater than the aggregate amount set out in the right hand column of the following table in respect of all Selling Institutions (including, in the case of any Participation involving more than one intermediary party from the Selling Institution, each such intermediary), Synthetic Security Obligors and Securities Lending Counterparties whose long term senior unsecured debt securities are rated at the level set out in the left hand column:

Counterparty Long term rating	**Maximum from each Obligor (including Affiliates)**	**Maximum from all Obligors**
(1) AAA or lower and "AAA" or lower	20 per cent. of the Maximum Investment Amount	20 per cent. of the Maximum Investment Amount
(2) AA+ or lower and "AA+" or lower	10 per cent. of the Maximum Investment Amount	20 per cent. of the Maximum Investment Amount
(3) AA or lower and "AA" or lower	10 per cent. of the Maximum Investment Amount	20 per cent. of the Maximum Investment Amount
(4) AA or lower and "AA" or lower	10 per cent. of the Maximum Investment Amount	20 per cent. of the Maximum Investment Amount
(5) A+ or lower and "A+" or lower	5 per cent. of the Maximum Investment Amount	10 per cent. of the Maximum Investment Amount
(6) A or lower and "A" or lower	5 per cent. of the Maximum Investment Amount	5 per cent. of the Maximum Investment Amount
(7) A or lower and "A" or lower	0	0

If a Selling Institution's or Synthetic Security Obligor's long term credit rating is downgraded following the Issuer's acquisition of a Participation or Synthetic Security (as the case may be) and such downgrade causes the maximum amount permitted from all Selling Institutions and Synthetic Security Obligors of the lower credit rating (as set out in the table above) to be exceeded then:

(1) the Issuer (or the Collateral Manager on behalf of the Issuer) shall notify S&P promptly of the breach of the relevant limit; and

(2) the Issuer (or the Collateral Manager on behalf of the Issuer) shall ensure that all of the limits set out in the above table are met within 30 days of the breach by replacing

the downgraded Selling Institution or Synthetic Security Obligor (as the case may be) with one which has the appropriate higher credit rating to ensure the limits are met.

In the event that the downgraded Selling Institution or Synthetic Security Obligor has not been replaced within 30 days in accordance with paragraph (2) above and the limits set out in the above table are still exceeded then one or more Participations or Synthetic Securities (as the case may be) of the relevant Selling Institution or Synthetic Security Obligor will be downgraded by the same number of rating categories as the downgraded Selling Institution or Synthetic Security Obligor until such time as the Selling Institution or Synthetic Security Obligor (as the case may be) has been replaced by one which has the appropriate higher credit rating to ensure that the above limits are met;

(B) in the case of a Participation, following such acquisition, the aggregate Principal Balance of all Collateral Debt Securities constituting interests in Collateral Debt Securities acquired by way of a Participation involving more than one intermediary party from Selling Institutions is not more than 5 per cent. of the Maximum Investment Amount (or any higher amount subject to the receipt of Rating Agency Confirmation in respect thereto);

(xi) the aggregate principal amount of (i) Bank Loans of any single obligor may not be more than €7,500,000 or £5,061,000, save that in the case of up to four obligors, the aggregate principal amount of Bank Loans of two such obligors may equal up to €11,500,000 or £7,760,200 each and the aggregate principal amount of Bank Loans of the other two such obligors may equal up to €9,000,000 or £6,073,200 each and (ii) Mezzanine Loans, Second Lien Loans and CLO Securities of any single obligor may not be more than €4,500,000 or £3,036,600 save that in the case of up to five obligors, the aggregate principal amount of Mezzanine Loans, Second Lien Loans and CLO Securities may equal up to €6,000,000 or £4,048,800;

(xii) no Collateral Debt Security comprised in a Fitch Industry Category may be acquired if, following such purchase, more than 15 per cent. of the Maximum Investment Amount will consist of Collateral Debt Securities comprised in such Fitch Industry Category; and

(xiii) no Collateral Debt Security comprised in a Fitch Industry Category may be acquired if, following such purchase, more than 35 per cent. of the Maximum Investment Amount will consist of Collateral Debt Securities comprised in the three largest Fitch Industry Categories.

For the purposes of the Eligibility Criteria, any Sterling amounts which are to be converted into Euro shall be converted using the Issue Date Spot Rate.

The failure by any Collateral Debt Security to satisfy any of the Eligibility Criteria at any time after its acquisition shall be of no consequence.

For the purposes of the Eligibility Criteria:

"**Cumulative Sterling Defaults**" means the principal amount outstanding of all Sterling Collateral Debt Securities which have become Defaulted Securities since the Issue Date.

"**Cumulative Sterling Realised Losses**" means Cumulative Sterling Defaults minus Cumulative Sterling Realised Recoveries.

"**Cumulative Sterling Realised Recoveries**" means all recoveries received in respect of Sterling Collateral Debt Securities since the Issue Date.

"**Fitch Industry Category**" means each of the categories listed below plus any other industry category published by Fitch other than any industry category which is no longer used by Fitch at the relevant point in time.

Industry Categories
Aerospace & Defence
Automobiles
Banking & Finance
Broadcasting/Media/Cable
Building & Materials

Industry Categories
Business Services
Chemicals
Computers & Electronics
Consumer Products
Energy
Food, Beverage & Tobacco
Gaming, Leisure & Entertainment
Health Care & Pharmaceuticals
Industrial/Manufacturing
Lodging & Restaurants
Metals & Mining
Packaging & Containers
Paper & Forest Products
Real Estate
Retail (General)
Supermarkets & Drugstores
Telecommunications
Textiles & Furniture
Transportation
Utilities

"**Project Finance Loan**" means a loan obligation under which the obligor is obliged to make payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of payments) on revenues arising from infrastructure assets, including, without limitation:

(i) the sale of products, such as electricity, water, gas and oil, generated by one or more infrastructure assets in the utility industry by a special purpose entity;

(ii) user fees charged in respect of one or more highways, bridges, tunnels, pipelines or other infrastructure assets by a special purpose entity,

and, in each case, the sole activity of such special purpose entity is the ownership and/or management of such asset or assets and the acquisition and/or development of such asset by the special purpose entity was effected primarily with the proceeds of debt financing made available to it on a limited recourse basis.

5. Fundings under the Class A1A Notes and Acquisition of Collateral Debt Securities

The Collateral Manager (acting on behalf of the Issuer) is permitted during the Ramp-Up Period and the Reinvestment Period in certain circumstances and subject to certain requirements to request a Drawing pursuant to the Class A1A Notes to acquire Collateral Debt Securities.

Each Drawing is subject to the conditions precedent as more particularly set out in the Class A1A Note Purchase Agreement including the following:

(a) at the time of and immediately after giving effect to such Drawing, no Issuer Event of Default shall have occurred;

(b) except in the case of the initial Drawing thereunder to be made on the Issue Date, the Capital Commitment Registrar shall have received a Funding Notice in accordance with the requirements of the Class A1A Note Purchase Agreement;

(c) the proposed Drawing will not cause the sum of the Total Outstandings to exceed the Total Commitments;

(d) each Transaction Document is in full force and effect;

(e) the Reinvestment Criteria (if applicable) and the Eligibility Criteria (excluding paragraph (c) if the Drawing is made during the Ramp-Up Period and including paragraph (c) if the Drawing is made during the Reinvestment Period but after the Ramp-Up Period) will be satisfied upon investment in the Collateral Debt Securities;

(f) the amount drawn does not exceed the aggregate of the purchase prices of Additional Collateral Debt Securities (plus accrued interest if any) to be acquired; and

(g) if such Drawing is denominated in Sterling, the Collateral Debt Security purchased with such Drawing would not when purchased cause the Sterling Limit or the Aggregate Sterling Limit to be breached.

6. Sale of Collateral Debt Securities and Reinvestment Criteria

(a) General

The Collateral Manager (acting on behalf of the Issuer) is permitted in certain circumstances and subject to certain requirements, all as set out below, to sell Collateral Debt Securities, Defaulted Equity Securities and Collateral Enhancement Securities and, during the Reinvestment Period and, to a limited extent, after the Reinvestment Period, to reinvest the Sale Proceeds thereof in Additional Collateral Debt Securities. The sale and reinvestment of any Collateral Debt Securities will be required to comply with the provisions set out below, including meeting the Eligibility Criteria and, after the Ramp-Up Period, the Reinvestment Criteria and after the Reinvestment Period, the Reinvestment Criteria and the Additional Reinvestment Criteria.

(b) Conditions of Sale and/or Reinvestment in Additional Collateral Debt Securities

The Collateral Manager (acting on behalf of the Issuer) may dispose of any Collateral Debt Security, a Defaulted Equity Security or a Collateral Enhancement Security, in each case, which is permitted to be sold in the circumstances provided below, *provided* that:

(i) no Issuer Event of Default has occurred and is continuing;

(ii) in the case of a proposed disposal of a Collateral Debt Security, either (i) it is a Credit Improved Security, a Credit Risk Security, a Defaulted Security, a PIK Security to which paragraph (f) (*Sale of PIK Securities*) applies or an Equity Security or (ii) the aggregate of the Principal Balances of the Collateral Debt Securities acquired during the twelve month period commencing on (and including) the Target Date and each succeeding twelve-month period (excluding from this calculation, the Principal Balances of the Collateral Debt Securities acquired out of the Sale Proceeds received pursuant to a disposal referred to in paragraphs (c) (*Sale of Credit Improved Securities*) to (g) (*Sale of Equity Securities*) (inclusive) below) when aggregated with the Principal Balances of the Collateral Debt Securities to be sold does not exceed 20 per cent. of the Maximum Investment Amount determined as at the beginning of each twelve month period, *provided* that the discretionary sales referred to in this paragraph (b)(ii) will only be permitted during the Reinvestment Period;

(iii) except in the case of Sale Proceeds from a Credit Risk Security, a Defaulted Security, a PIK Security or an Equity Security, the Collateral Manager certifies that it believes in its reasonable business judgement that the Sale Proceeds may be reinvested in one or more Collateral Debt Security within 20 Business Days of receipt of such Sale Proceeds;

(iv) in the case of a sale of a Collateral Debt Security which is a Credit Risk Security, a Credit Improved Security or a Defaulted Security, the Collateral Manager certifies that such Collateral Debt Security is a Credit Risk Security, Credit Improved Security or Defaulted Security;

(v) after giving effect to the sale of any Collateral Debt Security, each of the Collateral Quality Tests is satisfied or, if not satisfied immediately prior to such sale, is maintained or improved after giving effect to the sale of such Collateral Debt Security; and

(vi) the Collateral Manager has received from the Collateral Administrator the certificate in respect of such sale described below.

In respect of any disposal referred to above, the Collateral Manager shall use its reasonable efforts to reinvest the relevant Sale Proceeds in Additional Collateral Debt Securities at any time prior to the end of the Due Period in which such Sale Proceeds were received, *provided* that:

(i) no Issuer Event of Default shall have occurred and be continuing;

(ii) all Additional Collateral Debt Securities must meet the Reinvestment Criteria and Additional Reinvestment Criteria (if applicable) at the time of acquisition thereof;

(iii) during the Reinvestment Period, Additional Collateral Debt Securities may be purchased using Principal Proceeds or Sale Proceeds of all Collateral Debt Securities and after the Reinvestment Period, Additional Collateral Debt Securities may be purchased, at the option of the Collateral Manager, using Unscheduled Principal Proceeds or Sale Proceeds of any Credit Improved Securities;

(iv) the ratings assigned to the Senior Notes have not been reduced from those assigned on the Issue Date and the Class B Notes, the Class C Notes, Class D Notes or Class E Notes have not been reduced by more than two rating subcategories from those assigned on the Issue Date, or, in any such case, have not been withdrawn by the Rating Agencies (other than following a redemption of the relevant Notes in full); and

(v) the Collateral Manager has received from the Collateral Administrator the certificate in respect of such reinvestment described below.

If the ratings assigned to the Senior Notes have been reduced from those assigned on the Issue Date or the ratings assigned to the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes have been reduced by two rating sub-categories from those assigned on the Issue Date or, in any such case, have been withdrawn by the Rating Agencies (other than following a redemption of the relevant Notes in full) then the Collateral Manager shall cease any discretionary trading (other than the sale of Credit Improved Securities, Credit Risk Securities, Defaulted Securities, PIK Securities and Equity Securities) permitted pursuant to this paragraph (b) (*Conditions of Sale and/or Reinvestment in Additional Collateral Debt Securities*) and may only resume such trading with the consent of the holders of at least a majority of the principal amount of the Controlling Class.

If the ratings assigned to the Class B Notes have been reduced by three rating sub-categories from those assigned on the Issue Date or have been withdrawn by the Rating Agencies (other than following a redemption of the relevant Notes in full) then the Collateral Manager shall cease all trading permitted pursuant to this paragraph (b) (*Conditions of Sale and/or Reinvestment in Additional Collateral Debt Securities*) and any reinvestment permitted pursuant to paragraph (h) (*Unscheduled Principal Proceeds*) and may only resume such trading with the consent of the holders of at least a majority of the principal amount of the Controlling Class.

Prior to any such sale and (if applicable) prior to investment or reinvestment in Additional Collateral Debt Securities, the Collateral Manager shall request from the Collateral Administrator a certificate described below, which request shall specify all necessary details of the Collateral Debt Securities, Non-Performing Securities, Defaulted Equity Securities or Collateral Enhancement Securities to be sold and (if applicable) the proposed Additional Collateral Debt Securities to be purchased.

The Collateral Manager shall not sell any Collateral Debt Security or (if applicable) invest or reinvest the proceeds from any such sale unless it has received from the Collateral Administrator prior to any such sale and (if applicable) investment or reinvestment a certificate certifying whether the relevant criteria which are required to be satisfied in connection with any such sale, investment or reinvestment are satisfied and, in particular, that:

(i) in the case of investment and/or reinvestment in Additional Collateral Debt Securities, the Reinvestment Criteria and Additional Reinvestment Criteria (as applicable) will be satisfied upon such reinvestment; and

(ii) the aggregate of the Principal Balances of the Collateral Debt Securities substituted in that year (other than those acquired out of the Sale Proceeds received pursuant to a disposal referred to in paragraphs (c) (*Sale of Credit Improved Securities*) to (g) (*Sale of Equity Securities*) (inclusive)) when aggregated with the Principal Balances of the Collateral Debt Securities to be sold does not exceed 20 per cent. of the Maximum Investment Amount determined as at the beginning of each twelve month period, *provided* that the discretionary sales referred to in this paragraph (ii) will only be permitted during the Reinvestment Period.

If any such criteria are not satisfied, the Collateral Administrator shall notify the Collateral Manager of the reasons and the extent to which such criteria are not satisfied.

(c) Sale of Credit Improved Securities

The Collateral Manager (acting on behalf of the Issuer) may sell Credit Improved Securities at any time and, during the Reinvestment Period, reinvest the Sale Proceeds thereof in Additional Collateral Debt Securities, in each case, subject to the conditions set out in paragraph (b) (*Conditions of Sale and/or Reinvestment in Additional Collateral Debt Securities*) above. In addition, after the Reinvestment Period, the Sale Proceeds of any Credit Improved Securities sold will be either (a) reinvested by the Collateral Manager (acting on behalf of the Issuer) in Additional Collateral Debt Securities if the Reinvestment Criteria and the Additional Reinvestment Criteria are satisfied and the Collateral Manager will use commercially reasonable efforts to reinvest such Sale Proceeds within 20 Business Days of receipt of such Sale Proceeds, or (b) deposited in the Principal Collection Account or Sterling Principal Account, as applicable, and disbursed in accordance with the Priorities of Payment on the first Payment Date following the Due Period in which such sale occurs.

(d) Sale of Credit Risk Securities

The Collateral Manager (acting on behalf of the Issuer) may sell Credit Risk Securities at any time and, during the Reinvestment Period, reinvest the Sale Proceeds thereof in Additional Collateral Debt Securities, in each case, subject to the conditions set out in paragraph (b) (*Conditions of Sale and/or Reinvestment in Additional Collateral Debt Securities*) above. After the Reinvestment Period, the Sale Proceeds of any Credit Risk Securities sold will be deposited in the Principal Collection Account or Sterling Principal Account, as applicable, and disbursed in accordance with the Priorities of Payment on the first Payment Date following the Due Period in which such sale occurs.

(e) Sale of Defaulted Securities and Defaulted Equity Securities

The Collateral Manager (acting on behalf of the Issuer) may sell any Defaulted Security or Defaulted Equity Security at any time following such Collateral Debt Security becoming a Defaulted Security or following receipt of such Defaulted Equity Security, as the case may be, and, during the Reinvestment Period, reinvest the Sale Proceeds thereof in Additional Collateral Debt Securities subject to the conditions set out in paragraph (b) (*Conditions of Sale and/or Reinvestment in Additional Collateral Debt Securities*) above. After the Reinvestment Period, the Sale Proceeds of any Defaulted Security or Defaulted Equity Security sold shall be deposited in the Principal Collection Account or Sterling Principal Account, as applicable, and disbursed in accordance with the Priorities of Payment on the first Payment Date following the Due Period in which such sale occurs.

(f) Sale of PIK Securities

The Collateral Manager (acting on behalf of the Issuer) may sell any PIK Security the issuer or obligor (or, in the case of a Synthetic Security or Participation, the related Reference Obligor or related Collateral Debt Security), of which has actually deferred and capitalised as principal any interest due thereon and has not subsequently paid all such interest in full in cash to the Issuer, and, during the Reinvestment Period, reinvest the Sale Proceeds thereof in Additional Collateral Debt Securities, in each case, subject to the conditions set out in paragraph (b) (*Conditions of Sale and/or Reinvestment in Additional Collateral Debt Securities*) above. After the Reinvestment Period, the Sale Proceeds (up to the par value of the relevant PIK Security) of any PIK Security sold shall be deposited in the Principal Collection Account or Sterling Principal Account, as applicable, and disbursed in accordance with the Priorities of Payment on the first Payment Date following the Due Period in which such sale occurs. Capitalised interest and other amounts in excess of a PIK Security's par value shall be treated as Interest Proceeds and deposited in either the Interest Collection Account or the Sterling Interest Account.

(g) Sale of Equity Securities

The Collateral Manager (acting on behalf of the Issuer) may sell any Equity Security at any time following receipt of an Equity Security, subject to the conditions set out in paragraph (b) (*Conditions of Sale and/or Reinvestment in Additional Collateral Debt Securities*) above. The Sale Proceeds of any Equity Security (other than Defaulted Equity Securities) sold shall be deposited in the Principal Collection Account or Sterling Principal Account, as applicable, in an amount equal to the original purchase price of such Equity Security when acquired or received by the Issuer and any excess shall be deposited in the Interest Collection Account or Sterling Interest Account, as applicable, and, in each case, disbursed in accordance with the Priorities of Payment on the first Payment Date following the Due Period in which such sale occurs.

(h) Unscheduled Principal Proceeds

During the Reinvestment Period, the Collateral Manager (acting on behalf of the Issuer) may reinvest all Unscheduled Principal Proceeds received in Additional Collateral Debt Securities; *provided* that any such Additional Collateral Debt Security is not a Dutch Ineligible Security such that, after such reinvestment, the Reinvestment Criteria and the other requirements as set out in paragraph (b) (*Conditions of Sale and/or Reinvestment in Additional Collateral Debt Securities*) are satisfied as set out therein.

The Collateral Manager shall use all commercially reasonable efforts to apply Unscheduled Principal Proceeds in the acquisition of one or more Additional Collateral Debt Securities satisfying the Reinvestment Criteria prior to the end of the Due Period immediately following the Due Period in which such Unscheduled Principal Proceeds were received.

Following the expiry of the Reinvestment Period:

(i) Unscheduled Principal Proceeds which constitute cash received on Defaulted Obligations may not be reinvested;

(ii) other Unscheduled Principal Proceeds may be reinvested by the Collateral Manager (acting on behalf of the Issuer) such that, after such reinvestment, the Reinvestment Criteria, the Additional Reinvestment Criteria and the other requirements paragraph (b) (*Conditions of Sale and/or Reinvestment in Additional Collateral Debt Securities*) are satisfied as set out therein; and

(iii) Unscheduled Principal Proceeds not reinvested prior to the end of the Due Period immediately following the Due Period in which such proceeds were received shall be disbursed in accordance with the Priority of Payments on the next following Payment Date.

(i) Reinvestment Criteria and Additional Reinvestment Criteria

During the Reinvestment Period, Euro Principal Proceeds, Sterling Principal Proceeds, Uninvested Proceeds and drawings on the Class A1A Notes shall, and after the end of the Reinvestment Period certain Unscheduled Principal Proceeds and Sale Proceeds of any Credit Improved Securities may, be reinvested by the Collateral Manager (acting on behalf of the Issuer) in Additional Collateral Debt Securities if, immediately after such reinvestment, the criteria set out below (the "**Reinvestment Criteria**") are satisfied. The Reinvestment Criteria are as follows:

(i) the Coverage Tests and the Collateral Quality Tests are required to be satisfied or in respect of the reinvestment of Uninvested Proceeds, drawings under the Class A1A Notes, Unscheduled Principal Proceeds permitted to be reinvested and Sale Proceeds of Credit Improved Securities, to the extent not so satisfied:

(A) if, immediately prior to any such acquisition of any Additional Collateral Debt Security, the Maximum Weighted Average Fitch Rating Factor Test as calculated in the most recent Monthly Report prior to such acquisition was not satisfied, then it must be no further from being satisfied after giving effect to such acquisition;

(B) if, immediately prior to any such acquisition of any Additional Collateral Debt Security, any Coverage Test as calculated in the most recent Monthly Report prior thereto was not satisfied, such Coverage Test (other than with respect to the reinvestment of (i) Principal Proceeds from Defaulted Securities in which case the Coverage Tests must be satisfied immediately prior to any such acquisition and (ii) Principal Proceeds from Collateral Debt Securities (other than Unscheduled Principal Proceeds), in which case the Coverage Tests must be satisfied after giving effect to such acquisition) must be maintained or improved after giving effect to such acquisition (compared with the results of such Coverage Test prior to any sale generating the Sale Proceeds used to fund the relevant acquisition);

(C) if, immediately prior to any such acquisition of any Additional Collateral Debt Security, the Weighted Average Life Test as calculated in the most recent Monthly Report prior thereto was not satisfied, the Weighted Average Life must be less than or equal to the Weighted Average Life immediately prior to such acquisition;

(D) if, immediately prior to any such acquisition of any Additional Collateral Debt Security, the Minimum Weighted Average Spread Test as calculated in the most recent Monthly Report

prior thereto was not satisfied, the Minimum Weighted Average Spread must be greater than or equal to the Minimum Weighted Average Spread immediately prior to such acquisition;

(E) if, immediately prior to any such acquisition of any Additional Collateral Debt Security, the S&P Minimum Weighted Average Recovery Rate Test as calculated in the most recent Monthly Report prior thereto was not satisfied, the S&P Minimum Weighted Average Recovery Rate must be greater than or equal to the S&P Minimum Weighted Average Recovery Rate immediately prior to such acquisition;

(F) if, immediately prior to any such acquisition of any Additional Collateral Debt Security, the Minimum Fitch Weighted Average Recovery Rate Test as calculated in the most recent Monthly Report prior thereto was not satisfied, the Fitch Weighted Average Recovery Rate must be greater than or equal to the Fitch Weighted Average Recovery Rate immediately prior to such acquisition;

(G) if, immediately prior to any such acquisition of any Additional Collateral Debt Security, the CDO Evaluator Test as calculated in the most recent Monthly Report prior thereto was not satisfied, if the acquisition is to be made with Sale Proceeds other than those from the sale of a Credit Risk Security or a Defaulted Security, the Class A Loss Differential, the Class B Loss Differential, the Class C Loss Differential, the Class D Loss Differential or the Class E Loss Differential, respectively, of the Proposed Portfolio is no worse than the Class A Loss Differential, the Class B Loss Differential, the Class C Loss Differential, the Class D Loss Differential or the Class E Loss Differential, respectively, determined in respect of the Portfolio existing prior to the purchase or sale of such Collateral Debt Security;

(ii) the acquisition satisfies paragraphs (a), (b) and (c) of the definition of "**Eligibility Criteria**" or, if any such restriction contained in paragraph (c) of the definition of "**Eligibility Criteria**" is not satisfied prior to any acquisition of any Additional Collateral Debt Security, such limit is maintained or improved after giving effect to the acquisition from the position prior to the relevant acquisition or, if the acquisition was funded with Sale Proceeds, prior to the sale generating such Sale Proceeds;

(iii) the purchase price of any Additional Collateral Debt Security on or after the Target Date is equal to or less than its Principal Balance unless the Reinvestment OC Test is met immediately prior to the acquisition;

(iv) if the acquisition of the Additional Collateral Debt Securities is to be funded from the Sale Proceeds of a Credit Risk Security, Defaulted Security or Defaulted Equity Security, the Principal Balance of the applicable Additional Collateral Debt Security is at least equal to the Sale Proceeds of the obligation being sold to fund the relevant acquisition unless the Reinvestment OC Ratio is at least equal to or higher than the Initial Reinvestment OC Ratio after such reinvestment; and

(v) if the acquisition of the Additional Collateral Debt Securities is to be funded from the Sale Proceeds of any Collateral Debt Securities (other than those set out in paragraph (iv) above), the Sale Proceeds of the Collateral Debt Security being sold are equal to or greater than an amount sufficient to purchase an Additional Collateral Debt Security with a Principal Balance equal to, or greater than, 100 per cent. of the Principal Balance of the Collateral Debt Security being sold unless the Reinvestment OC Ratio is at least equal to or higher than the Initial Reinvestment OC Ratio after such reinvestment.

Following the Reinvestment Period, any Unscheduled Principal Proceeds that the Collateral Manager is permitted to reinvest as referred to in paragraph (h) (*Unscheduled Principal Proceeds*) above and Sale Proceeds from any Credit Improved Security, may be reinvested by the Collateral Manager (acting on behalf of the Issuer) in Additional Collateral Debt Securities if, immediately before and after such reinvestment, the Reinvestment Criteria is satisfied and the additional criteria set out below (the "**Additional Reinvestment Criteria**") are satisfied:

(i) the Reinvestment OC Ratio is equal to or higher than 105.6 per cent. immediately prior to such reinvestment;

(ii) the aggregate Principal Balance of Collateral Debt Securities with a rating of "CCC+" or below by S&P or "CCC+" or below by Fitch is less than 5 per cent. of the Maximum Investment Amount;

(iii) (A) the ratings of the Senior Notes have not been reduced by one or more rating sub categories from those assigned on the Issue Date or withdrawn by any Rating Agency (other than following a redemption of the relevant Notes in full); or

(B) the ratings of the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes have not been reduced by two or more rating sub categories from those assigned on Issue Date or withdrawn by any Rating Agency (other than following a redemption of the relevant Notes in full); and

(iv) the Weighted Average Life Test is met.

In determining whether the Reinvestment Criteria or the Additional Reinvestment Criteria will be satisfied by the purchase of any Additional Collateral Debt Security, the Collateral Manager will apply the Collateral Quality Tests and paragraphs (b) and (c) of the Eligibility Criteria to (i) the Portfolio prior to such purchase, as if any such Collateral Debt Security which has been sold or prepaid, but not replaced were deemed to remain in the Portfolio and (ii) the Portfolio as if such purchase had been made with the proposed Additional Collateral Debt Security being treated as replacing the same principal amount of any Collateral Debt Security that has been sold or prepaid as the Collateral Manager may in its discretion select, with any other Collateral Debt Security that has been sold or prepaid but not replaced being deemed to remain in the Portfolio. The above methodology will not apply following the sale of a Credit Risk Security or a Defaulted Security.

It is expected that the Collateral Manager will reinvest Sale Proceeds, to the extent permitted or required as described above, in Additional Collateral Debt Securities promptly following such sale. In certain of the circumstances described above, the Collateral Manager is required to reinvest such Sale Proceeds on a best efforts basis within specified time limits. In the event that the Collateral Manager does not immediately apply any such Sale Proceeds in the acquisition or exercise of Additional Collateral Debt Securities, it shall procure that such amounts are paid into the Additional Collateral Account or Sterling Additional Collateral Account, as applicable, and will notify the Collateral Administrator that such amounts have been designated for reinvestment pursuant to the provisions of the Collateral Management Agreement, together with details of the time limits for such reinvestment applicable thereto. In the event that the Collateral Manager fails to reinvest any such designated Sale Proceeds within the time limits prescribed in the Collateral Management Agreement, they will cease to be designated for reinvestment and will be treated as Principal Proceeds for the applicable Due Period and paid out in accordance with the Priorities of Payment on the next following Payment Date; to the extent that this results in the Class A1A Notes being repaid, the amount repaid will, until cancellation of the commitment pursuant to the Class A1A Note Purchase Agreement, be capable of being redrawn for investment in Additional Collateral Debt Securities during the Reinvestment Period.

(j) Collateral Enhancement Securities

The Collateral Manager (acting on behalf of the Issuer) may, from time to time, purchase Collateral Enhancement Securities independently or as part of a unit with Collateral Debt Securities being so purchased, *provided* that such Collateral Enhancement Securities may not constitute Margin Stock (as defined under Regulation U issued by the Board of Governors of the United States Federal Reserve System). The amounts that may be applied by the Collateral Manager (acting on behalf of the Issuer) in the acquisition of Collateral Enhancement Securities shall be limited to amounts standing to the credit of the Collateral Enhancement Account from time to time. The Collateral Manager (acting on behalf of the Issuer) may sell Collateral Enhancement Securities at any time.

(k) Exercise of Warrants and Options

The Collateral Manager may at any time exercise a warrant or option attached to a Collateral Debt Security or comprised in a Collateral Enhancement Security and shall request the Trustee to instruct the Account Bank to make any necessary payment in respect of such exercise.

(l) Margin Stock and Dutch Ineligible Securities

The Collateral Management Agreement requires that the Collateral Manager, on behalf of the Issuer, will sell any Collateral Debt Security, Defaulted Equity Security or Collateral Enhancement Security which is or at

any time becomes Margin Stock (as defined under Regulation U issued by the Board of Governors of the United States Federal Reserve System) or a Dutch Ineligible Security, as soon as practicable following such event.

(m) Redemption of the Notes or Enforcement

In the event of an optional redemption of the Notes pursuant to the Conditions or upon receipt of notification from the Trustee of the enforcement of the security over the Collateral, the Collateral Manager will (at the direction of the Trustee following the enforcement of such security) sell all or part of the Portfolio in order to fund such redemption or prepayment without regard to the foregoing limitations, subject always to any limitations or restrictions set out in the Conditions and the Trust Deed.

(n) Euro Principal Proceeds and Sterling Principal Proceeds

The Collateral Management Agreement shall provide that the Collateral Manager, on behalf of the Issuer, may only use Euro Principal Proceeds to acquire Euro Collateral Debt Securities and Sterling Principal Proceeds to acquire Sterling Collateral Debt Securities, *provided* that a Collateral Debt Security denominated in Sterling or any other non-Euro currency may be acquired by the Collateral Manager on behalf of the Issuer using Euro Principal Proceeds if such Collateral Debt Security is the subject of an Asset Swap Transaction pursuant to a Hedge Agreement swapping the Sterling or non-Euro amounts received on such Collateral Debt Security into Euro.

7. Synthetic Securities, Non-Euro Denominated Securities and PIK Securities

(a) Synthetic Securities

The Collateral Manager, acting on behalf of the Issuer, may from time to time, during the Reinvestment Period acquire Collateral Debt Securities which are Synthetic Securities. For the avoidance of doubt, any acquisition of a Synthetic Security shall be subject to Rating Agency Confirmation.

As part of the acquisition of or entry into a Synthetic Security which is a credit default swap transaction, the Issuer or the Collateral Manager, acting on the Issuer's behalf, may be required to provide Synthetic Security Collateral to the applicable Synthetic Security Obligor which it will deposit with a custodian or other third party as security for its payment obligations to the Synthetic Security Obligor under the Synthetic Security. Subject as provided below, the Issuer may purchase such Synthetic Security Collateral notwithstanding that it may not satisfy the Eligibility Criteria, *provided* that such Synthetic Security Collateral may not include Margin Stock (as defined under Regulation U issued by the Board of Governors of the United States Federal Reserve System). For the purposes of the Collateral Management Agreement, the acquisition cost of any Synthetic Security Collateral shall be included in the purchase price of any Collateral Debt Security that is a Synthetic Security. The Issuer may grant a first security interest in such Synthetic Security Collateral to the related Synthetic Security Obligor and a second priority security interest to the Trustee for the benefit of the Secured Parties and shall cause the Synthetic Security Obligor and the custodian or other third party holding such Synthetic Security Collateral to be notified of and acknowledge such security interests. Prior to the occurrence of any default under such Synthetic Security, any payments in respect of Synthetic Security Collateral not retained by the Synthetic Security Obligor pursuant to the terms of a Synthetic Security shall be paid to the Issuer prior to the release of the Synthetic Security Collateral. Interest received on the Synthetic Security Collateral shall constitute Euro Interest Proceeds or Sterling Interest Proceeds, as applicable. Principal payments received thereon shall constitute Euro Principal Proceeds or Sterling Principal Proceeds, as applicable. Upon any release of Synthetic Security Collateral from the first priority security interest in favour of the applicable Synthetic Security Obligor upon termination or sale of such Synthetic Security or otherwise, such Synthetic Security Collateral will:

(i) to the extent that it satisfies the Eligibility Criteria and Reinvestment Criteria, at the discretion of the Collateral Manager, be retained and shall constitute a Collateral Debt Security; or

(ii) in all other circumstances be sold as soon as reasonably practicable.

Any Distributions received upon liquidation of Synthetic Security Collateral shall be deemed to constitute:

(A) Sale Proceeds in the event that the Synthetic Security or the Synthetic Security Obligor's security interest was terminated by the Collateral Manager or sold or assigned;

(B) Unscheduled Principal Proceeds in the event that the Synthetic Security or the Synthetic Security Obligor's security interest was subject to an early termination other than by the Collateral Manager; or

(C) Euro Principal Proceeds or Sterling Principal Proceeds, as applicable in the event that the Synthetic Security was terminated at its scheduled maturity.

The Collateral Manager, on behalf of the Issuer, shall use commercially reasonable efforts to sell and/or procure a full discharge of each Reference Obligation delivered to the Issuer no earlier than 30 calendar days after the delivery to the Issuer of such Reference Obligation and before the date which is 12 months after its delivery to the Issuer but in any event no later than the date which is 5 Business Days prior the Maturity Date; *provided* that if the delivery of such Reference Obligation would otherwise satisfy the requirements set out in the Collateral Management Agreement applicable to the acquisition of Collateral Debt Securities, the Collateral Manager, on behalf of the Issuer, may elect to treat such Reference Obligation delivered to the Issuer as part of the Portfolio by notice to the Collateral Administrator and the Trustee no later than the Determination Date following the delivery of such Reference Obligation and such Reference Obligation shall be treated as part of the Portfolio for all purposes.

(b) Sterling Collateral Debt Securities and Non-Euro Collateral Debt Securities

In determining any Coverage Test, the Reinvestment OC Test and any Collateral Quality Test, the outstanding Sterling principal or interest amount in respect of a Sterling Collateral Debt Security will be converted into Euro at the Spot Rate.

In determining any Coverage Test, the Reinvestment OC Test and any Collateral Quality Test, the outstanding non-Euro principal or interest amount in respect of a Non-Euro Collateral Debt Security will be converted into Euro at the Asset Swap Transaction Exchange Rate.

(c) PIK Securities

In determining the Coverage Tests, the Reinvestment OC Test and any Collateral Quality Test, PIK Securities will be treated as having an effective rate of interest in respect of such PIK Security equal to the rate of current interest in respect of the relevant PIK Security.

8. The Collateral Quality Tests

(a) General

The Collateral Quality Tests will be used primarily as the criteria for purchasing Collateral Debt Securities. The "**Collateral Quality Tests**" will consist of the Maximum Weighted Average Fitch Rating Factor Test, the Minimum Fitch Weighted Average Recovery Rate Test, the Weighted Average Life Test, the Minimum Weighted Average Spread Test, the S&P Minimum Weighted Average Recovery Rate Test and the CDO Evaluator Test. The Collateral Administrator will carry out the Collateral Quality Tests:

(i) as of the Target Date;

(ii) upon a substitution of, or a default under, a Collateral Debt Security;

(iii) as of the date of acquisition of any Additional Collateral Debt Security (which calculation shall, if such acquisition is to be funded by a drawing under the Class A1A Notes, be made within 2 Business Days of receipt of the Drawing Notice in respect thereof);

(iv) the 20th day of each month after the Target Date commencing in January 2008 (or if such day is not a Business Day, the following Business Day);

(v) each Determination Date after the Target Date; and

(vi) with reasonable notice, on any Business Day requested by any Rating Agency or the Trustee,

(any such date, a "**Measurement Date**").

(b) S&P Test Matrix and Fitch Test Matrix

For the purposes of the Minimum Weighted Average Spread Test and the S&P Minimum Weighted Average Recovery Rate Test, the Collateral Manager shall, on behalf of the Issuer, not later than five Business Days prior to the Target Date and may at any time thereafter, upon five Business Days' notice, notify the Trustee, the Collateral Administrator and the Rating Agencies of the S&P quality case ("**S&P Quality Case**") which is to apply (which election shall be at the Collateral Manager's discretion) in respect of such tests in respect of any Measurement Date occurring on or after the Target Date, as referred to in the S&P test matrix (the "**S&P Test Matrix**") set out below. In no circumstances shall the Collateral Manager be under any obligation to elect that a different S&P Quality Case shall apply.

S&P Test Matrix

		AAA	AA	A	BBB	BB
Quality Case Options	**Minimum Weighted Average Spread Test**	**S&P Minimum Weighted Average Recovery Rate Test (per cent.)**				
1	200	57.5 per cent.	61.5 per cent.	65.5 per cent.	68.0 per cent.	70.5 per cent.
2	210	57.0 per cent.	61.0 per cent.	65.0 per cent.	67.5 per cent.	70.0 per cent.
3	220	56.5 per cent.	60.5 per cent.	64.5 per cent.	67.0 per cent.	69.5 per cent.
4	230	56.0 per cent.	60.0 per cent.	64.0 per cent.	66.5 per cent.	69.0 per cent.
5	240	55.5 per cent.	59.5 per cent.	63.5 per cent.	66.0 per cent.	68.5 per cent.
6	250	55.0 per cent.	59.0 per cent.	63.0 per cent.	65.5 per cent.	68.0 per cent.
7	260	53.5 per cent.	57.5 per cent.	61.5 per cent.	64.0 per cent.	66.5 per cent.
8	270	51.0 per cent.	55.0 per cent.	59.0 per cent.	61.5 per cent.	64.0 per cent.
9	280	50.0 per cent.	54.0 per cent.	58.0 per cent.	60.5 per cent.	63.0 per cent.

Subject to the provisions provided below, on and after the Target Date, the Collateral Manager (on behalf of the Issuer), will have the option to elect which of the cases set forth in the matrix below (the "**Fitch Test Matrix**") shall be applicable for the purposes of the Maximum Weighted Average Fitch Rating Factor Test, the Minimum Weighted Average Spread Test and the Minimum Fitch Weighted Average Recovery Rate Test.

(i) For any given case, the applicable column for performing the Maximum Weighted Average Fitch Rating Factor Test will be the column which corresponds to the elected case.

(ii) For any given case, the applicable row for performing the Minimum Weighted Average Spread Test will be the row which corresponds to the elected case.

On the Target Date, the Collateral Manager (on behalf of the Issuer), will be required to elect which case shall apply initially. Thereafter, on ten Business Days' written notice to the Issuer, the Trustee and the Collateral Administrator, the Collateral Manager (on behalf of the Issuer) may elect to have a different case apply, *provided* that the Maximum Weighted Average Fitch Rating Factor Test, the Minimum Weighted Average Spread Test and the Minimum Fitch Weighted Average Recovery Rate Test applicable to the case to which the Collateral Manager (on behalf of the Issuer), desires to change are satisfied. In no event will the Issuer or the Collateral Manager (on behalf of the Issuer) be obliged to elect to have a different case apply.

Weighted Average Fitch Rating Factor

Minimum Weighted Average Spread	**24.5**	**25.5**	**26.5**	**27.5**	**28.5**	**29.5**
	Minimum Fitch Weighted Average Recovery Rate					
2.00 per cent.	64.5 per cent.	66.5 per cent.	69.0 per cent.	71.0 per cent.	72.5 per cent.	74.0 per cent.
2.10 per cent.	62.5 per cent.	65.0 per cent.	67.5 per cent.	69.5 per cent.	71.0 per cent.	72.5 per cent.
2.20 per cent.	60.5 per cent.	63.5 per cent.	66.0 per cent.	67.5 per cent.	69.0 per cent.	70.5 per cent.
2.30 per cent.	59.0 per cent.	61.0 per cent.	64.0 per cent.	66.5 per cent.	68.0 per cent.	69.0 per cent.
2.40 per cent.	58.0 per cent.	60.0 per cent.	63.0 per cent.	65.0 per cent.	66.5 per cent.	67.5 per cent.
2.50 per cent.	55.5 per cent.	57.5 per cent.	60.5 per cent.	64.0 per cent.	65.0 per cent.	66.0 per cent.
2.60 per cent.	54.5 per cent.	56.5 per cent.	59.5 per cent.	62.0 per cent.	63.5 per cent.	65.0 per cent.
2.70 per cent.	52.0 per cent.	54.5 per cent.	58.5 per cent.	60.5 per cent.	62.0 per cent.	63.5 per cent.
2.80 per cent.	50.5 per cent.	53.0 per cent.	57.5 per cent.	59.5 per cent.	61.0 per cent.	62.5 per cent.

In addition, for any date of determination, with respect to the tables comprising the Fitch Test Matrix for the purposes of the Maximum Weighted Average Fitch Rating Factor Test, the Minimum Weighted Average Spread Test and the Minimum Fitch Weighted Average Recovery Rate Test, as applicable, the Collateral Manager may elect to (i) apply a different row and/or column of any table, (ii) add additional rows and/or columns to any table (which may or may not include a combination of the existing values), (iii) modify rows and/or columns to any table or (iv) add further tables, in each case so long as, immediately after giving effect to the changes, each of the Maximum Weighted Average Fitch Rating Factor Test, the Minimum Weighted Average Spread Test and the Minimum Fitch Weighted Average Recovery Rate Test will be satisfied (or if not satisfied, such test will be at least as close to being satisfied) according to the scores that are prescribed by the newly selected, added or modified row, columns or table; *provided* that, no rows, columns or tables may be added or modified unless Fitch has confirmed that such proposed action will not result in a change to Fitch's then current rating of the Notes.

(c) Maximum Weighted Average Fitch Rating Factor Test

The "**Maximum Weighted Average Fitch Rating Factor Test**" will be satisfied as at any Measurement Date from (and including) the Target Date if the Weighted Average Fitch Rating Factor as at such Measurement Date is less than or equal to the level specified under the case specified in the Fitch Test Matrix as at such Measurement Date.

The "**Weighted Average Fitch Rating Factor**" is the number determined by (i) summing the products obtained by multiplying the Principal Balance of each Collateral Debt Security (excluding Defaulted Securities) by its Fitch Rating Factor, (ii) dividing such sum by the aggregate of the Principal Balance of each Collateral Debt Security (excluding Defaulted Securities) and (iii) rounding the result to the nearest one decimal place.

The "**Fitch Rating Factor**" is the number set forth in the table below opposite the Fitch Rating of such Collateral Debt Security.

Rating	Factors
AAA	0.19
AA+	0.57
AA	0.89
AA-	1.15
A+	1.65
A	1.85
A-	2.44
BBB+	3.13
BBB	3.74
BBB-	7.26
BB+	10.18
BB	13.53
BB-	18.46
B+	22.84
B	27.67
B-	34.98
CCC+	43.36
CCC	48.52
CCC-	62.76
CC	77.00
C	95.00
DDD — D	100.00

(d) Minimum Fitch Weighted Average Recovery Rate Test

The "**Minimum Fitch Weighted Average Recovery Rate Test**" will be satisfied as at any Measurement Date from (and including) the Target Date if the Fitch Weighted Average Recovery Rate is equal to or greater than the level specified under the case specified in the Fitch Test Matrix as at such Measurement Date. For the purposes of this test, all Collateral Debt Securities which are Defaulted Securities shall be excluded.

The "**Fitch Weighted Average Recovery Rate**" shall be the rate (expressed as a percentage) determined by summing the products obtained by multiplying the outstanding Principal Balance of each Collateral Debt Security (excluding Defaulted Securities) by the Fitch Recovery Rate in relation thereto and dividing such sum

by the aggregate Principal Balance of all Collateral Debt Securities (excluding Defaulted Securities) and rounding to the nearest 0.1 per cent.

The "**Fitch Recovery Rate**" means, in respect of a Collateral Debt Security, the recovery rate assigned thereto by Fitch.

(e) The Weighted Average Life Test

The "**Weighted Average Life Test**" will be satisfied as of any Measurement Date falling on or after the Target Date if the Weighted Average Life on such Measurement Date is equal to or less than the number of years (including any fraction of a year) set out in the second column of the table below corresponding to the relevant Measurement Date.

Measurement Date falling between	Required Weighted Average Life
July 2007 to July 2008	11 years
July 2008 to July 2009	10 years
July 2009 to July 2010	9 years
July 2010 to July 2011	8 years
July 2011 to July 2012	7 years
July 2012 to July 2013	6 years
July 2013 to July 2014	5 years
July 2014 to July 2015	4 years
July 2015 to July 2016	3 years
July 2016 to July 2017	2 years
July 2017 and after	1 year

"**Weighted Average Life**" means as of any Measurement Date, an amount of years obtained by (i) summing the products obtained by multiplying (A) the Average Life at that time of each Collateral Debt Security; and (B) the Principal Balance at that time of the Collateral Debt Security; and (ii) dividing such sum by the aggregate Principal Balance at that time of all Collateral Debt Securities.

"**Average Life**" means, in respect of any Collateral Debt Security, an amount equal to (a) the aggregate of the products obtained by multiplying each scheduled principal payment due on the relevant Collateral Debt Security by the remaining number of years (rounded to the nearest hundredth) until such scheduled principal payment is due, divided by (b) the total of all scheduled principal payments due on such Collateral Debt Security.

For the purposes of the Weighted Average Life Test, if any Collateral Debt Security included in such calculation is the subject of a Securities Lending Agreement and an event of default has occurred and is continuing with respect to such Securities Lending Agreement, the Collateral Debt Securities the subject of such defaulted Securities Lending Agreement as well as any Securities Lending Collateral provided with respect to such defaulted Securities Lending Agreement shall be excluded from the calculation of the Weighted Average Life Test.

(f) The Minimum Weighted Average Spread Test

The "**Minimum Weighted Average Spread Test**" will be satisfied as of any Measurement Date from (and including) the Target Date if the Weighted Average Spread as at such Measurement Date equals or exceeds the Minimum Weighted Average Spread as at such Measurement Date.

The "**Minimum Weighted Average Spread**" as of any Measurement Date will equal the greater of the number required by (a) the Fitch Test Matrix and (b) the S&P Test Matrix (in each instance based upon the case specified therein which is applicable as at such Measurement Date).

There shall not be included in the calculation of the Weighted Average Spread or any component thereof, any Non-Performing Security.

The "**Weighted Average Spread**" as of any Measurement Date will equal the sum of (A) an amount (rounded up to the next 0.001 per cent.) determined by (a) multiplying the Principal Balance of each Euro Collateral Debt Security and Non-Euro Collateral Debt Security by the per annum spread over the applicable EURIBOR (or in the case of Non-Euro Collateral Debt Securities, over the applicable floating rate index) and (b) aggregating the amounts determined pursuant to paragraph (a) for all Euro Collateral Debt Securities and Non-Euro Collateral Debt Securities, and (c) dividing such amount by the aggregate of the Principal Balances of

all Euro Collateral Debt Securities, Non-Euro Collateral Debt Securities (converted into Euro using the related Asset Swap Transaction Exchange Rate) and Sterling Collateral Debt Securities (converted into Euro using the Issue Date Spot Rate); and (B) an amount (rounded up to the next 0.001 per cent.) determined by (a) multiplying the Principal Balance of each Sterling Collateral Debt Security by the per annum spread over the applicable LIBOR and (b) aggregating the amounts determined pursuant to paragraph (a) for all Sterling Collateral Debt Securities, and (c) dividing such amount by the aggregate of the Principal Balances of all Euro Collateral Debt Securities, Non-Euro Collateral Debt Securities (converted into Euro using the related Asset Swap Transaction Exchange Rate) and Sterling Collateral Debt Securities (converted into Euro using the Issue Date Spot Rate).

(g) The S&P Minimum Weighted Average Recovery Rate Test

The "**S&P Minimum Weighted Average Recovery Rate Test**" will be satisfied as of any Measurement Date on or after the Target Date if the S&P Minimum Average Recovery Rate on such Measurement Date equals or exceeds the amount specified in the S&P Test Matrix which is applicable under the S&P Quality Case selected by the Issuer at the recommendation of the Collateral Manager.

The "**S&P Minimum Average Recovery Rate**", as of any Measurement Date, is the percentage obtained by aggregating the products obtained by multiplying the Principal Balance of each Collateral Debt Security by its S&P Priority Category Recovery Rate as set forth in the table representing such percentages in the Collateral Administration Agreement. For the purposes of determining the S&P Minimum Average Recovery Rate, (a) the Principal Balance of a Defaulted Security will be deemed to be equal to its outstanding principal amount; (b) Synthetic Securities shall be assigned to such Priority Category as S&P may specify; and (c) Defaulted Securities of the type described in paragraphs (d) or (e) of the definition of Defaulted Security shall not be included in the calculations of Principal Balances for the purposes of the S&P Minimum Average Recovery Rate.

(h) CDO Evaluator Test

The "**CDO Evaluator Test**" will, as of any Measurement Date falling on or after the Target Date and prior to the end of the Reinvestment Period, be satisfied if after giving effect to the purchase or sale of a Collateral Debt Security (a) the Class A Loss Differential of the Proposed Portfolio is positive; (b) the Class B Loss Differential of the Proposed Portfolio is positive; (c) the Class C Loss Differential of the Proposed Portfolio is positive; (d) the Class D Loss Differential of the Proposed Portfolio is positive and (e) the Class E Loss Differential of the Proposed Portfolio is positive. The CDO Evaluator Test will, prior to the end of the Reinvestment Period, be considered to be "improved" if (a) the Class A Loss Differential of the Proposed Portfolio is greater than the Class A Loss Differential of the Current Portfolio; (b) the Class B Loss Differential of the Proposed Portfolio is greater than the Class B Loss Differential of the Current Portfolio; (c) the Class C Loss Differential of the Proposed Portfolio is greater than the Class C Loss Differential of the Current Portfolio; (d) the Class D Loss Differential of the Proposed Portfolio is greater than the Class D Loss Differential of the Current Portfolio and (e) the Class E Loss Differential of the Proposed Portfolio is greater than the Class E Loss Differential of the Current Portfolio.

The "**Class A Break Even Loss Rate**", at any time, is the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined by S&P through application of the CDO Evaluator, which after giving effect to S&P's assumptions on recoveries and timing and to the Priorities of Payment, will result in sufficient funds remaining for the ultimate payment of the Senior Notes in full and the timely payment of interest on the Senior Notes.

The "**Class A Loss Differential**", at any time, is the rate calculated by subtracting the Class A Scenario Loss Rate at such time from the Class A Break Even Loss Rate at that time.

The "**Class A Scenario Loss Rate**", at any time, is an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with an "AAA" rating of the Senior Notes by S&P, determined by application of the CDO Evaluator at such time.

The "**Class B Break Even Loss Rate**" at any time, is the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined by S&P through application of the CDO Evaluator, which after giving effect to S&P's assumptions on recoveries and timing and to the Priorities of Payment, will result in sufficient funds remaining for the ultimate payment of the Class B Notes in full and the ultimate payment of interest on the Class B Notes.

The "**Class B Loss Differential**" at any time, is the rate calculated by subtracting the Class B Scenario Loss Rate at such time from the Class B Break Even Loss Rate at such time.

The "**Class B Scenario Loss Rate**" at any time, is an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a "AA" rating of the Class B Notes by S&P determined by application of the CDO Evaluator at such time.

The "**Class C Break Even Loss Rate**", at any time, is the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined by S&P through application of the CDO Evaluator, which after giving effect to S&P's assumptions on recoveries and timing and to the Priorities of Payment, will result in sufficient funds remaining for the ultimate payment of the Class C Notes in full and the ultimate payment of interest on the Class C Notes.

The "**Class C Loss Differential**", at any time, is the rate calculated by subtracting the Class C Scenario Loss Rate at such time from the Class C Break Even Loss Rate at that time.

The "**Class C Scenario Loss Rate**", at any time, is an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a "A" rating of the Class C Notes by S&P, determined by application of the CDO Evaluator at such time.

The "**Class D Break Even Loss Rate**" at any time, is the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined by S&P through application of the CDO Evaluator, which after giving effect to S&P's assumptions on recoveries and timing and to the Priorities of Payment, will result in sufficient funds remaining for the ultimate payment of the Class D Notes in full and the ultimate payment of interest on the Class D Notes.

The "**Class D Loss Differential**" at any time, is the rate calculated by subtracting the Class D Scenario Loss Rate at such time from the Class D Break Even Loss Rate at such time.

The "**Class D Scenario Loss Rate**" at any time, is an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a "BBB" rating of the Class D Notes by S&P determined by application of the CDO Evaluator at such time.

The "**Class E Break Even Loss Rate**" at any time, is the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined by S&P through application of the CDO Evaluator, which after giving effect to S&P's assumptions on recoveries and timing and to the Priorities of Payment, will result in sufficient funds remaining for the ultimate payment of the Class E Notes in full and the ultimate payment of interest on the Class E Notes.

The "**Class E Loss Differential**" at any time, is the rate calculated by subtracting the Class E Scenario Loss Rate at such time from the Class E Break Even Loss Rate at such time.

The "**Class E Scenario Loss Rate**" at any time, is an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a "BB" rating of the Class E Notes by S&P determined by application of the CDO Evaluator at such time.

The "**Current Portfolio**" means the portfolio (measured by Principal Balance) of Collateral Debt Securities, Euro Principal Proceeds, Sterling Principal Proceeds and Uninvested Proceeds held as cash and Eligible Investments purchased with Euro Principal Proceeds, Sterling Principal Proceeds or Uninvested Proceeds existing immediately prior to the sale, maturity or other disposition of a Collateral Debt Security or a proposed purchase of a Collateral Debt Security, as the case may be.

The "**Proposed Portfolio**" means the portfolio (measured by Principal Balance) of Collateral Debt Securities, Euro Principal Proceeds, Sterling Principal Proceeds and Uninvested Proceeds held as cash and Eligible Investments purchased with Euro Principal Proceeds, Sterling Principal Proceeds or Uninvested Proceeds resulting from the sale, maturity or other disposition of a Collateral Debt Security or a proposed purchase of a Collateral Debt Security, as the case may be.

The "**CDO Evaluator**" is the dynamic, analytical computer model developed by S&P used to estimate default risk of Collateral Debt Securities and provided to the Collateral Manager and the Collateral Administrator on or before the Issue Date, as it may be modified by S&P from time to time. The CDO Evaluator calculates the cumulative default rate of a pool of Collateral Debt Securities consistent with a

specified benchmark rating level based upon S&P's proprietary corporate debt default studies. In calculating the Class A Scenario Loss Rate, the Class B Scenario Loss Rate, the Class C Scenario Loss Rate, the Class D Scenario Loss Rate and the Class E Scenario Loss Rate, the CDO Evaluator considers each obligor's most senior unsecured debt rating, the number of obligors in the Portfolio, the obligor and industry concentration in the Portfolio and the remaining weighted average life of the Collateral Debt Securities and calculates a cumulative default rate based on the statistical probability of distributions of defaults on the Collateral Debt Securities and Eligible Investments.

There can be no assurance that the actual defaults of the Collateral Debt Securities or the timing of defaults will not exceed those assumed in the application of the CDO Evaluator or that recovery rates with respect thereto will not differ from those assumed in the CDO Evaluator Test. S&P makes no representation that actual defaults will not exceed those determined by the CDO Evaluator. The ratings of the Senior Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes may become subject to review for potential downgrade due to the Collateral Manager's inability to sell Collateral Debt Securities deemed Credit Risk Securities by the Collateral Manager. None of the Issuer, the Collateral Manager and the Initial Purchaser makes any representation as to the expected rate of defaults of the Collateral Debt Securities or the timing of the defaults or as to the expected recovery rate or the timing of recoveries.

(i) CDO Evaluator Test after the Reinvestment Period

After the Reinvestment Period, the CDO Evaluator Test will be satisfied if after giving effect to the purchase or sale of a Collateral Debt Security, the Class A Loss Differential, the Class B Loss Differential, the Class C Loss Differential, the Class D Loss Differential and the Class E Loss Differential, respectively, of the Proposed Portfolio is no worse than the Class A Loss Differential, the Class B Loss Differential, the Class C Loss Differential, the Class D Loss Differential or the Class E Loss Differential, respectively, determined in respect of the Portfolio existing prior to the purchase or sale of such Collateral Debt Security.

9. The Coverage Test and Reinvestment OC Test

The Coverage Tests will consist of the Senior Interest Coverage Test, the Senior Overcollateralisation Ratio Test, the Class B Overcollateralisation Ratio Test, the Class C Overcollateralisation Ratio Test, the Class D Overcollateralisation Ratio Test and the Class E Overcollateralisation Ratio Test. The Coverage Tests will be used primarily to determine whether interest may be paid on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class N Notes, whether amounts may be drawn under the Class A1A Notes and invested in Additional Collateral Debt Securities and whether Euro Principal Proceeds or Sterling Principal Proceeds may be reinvested in Additional Collateral Debt Securities, or whether Euro Principal Proceeds or Sterling Principal Proceeds and, to the extent needed, funds which would otherwise be used to pay interest and other unpaid expenses set out in the Priorities of Payment must instead be used to redeem and repay, as applicable, the Senior Notes and the other Notes.

In the event that the Senior Coverage Tests (as calculated by the Collateral Administrator) are not satisfied on the immediately preceding Determination Date, Interest Proceeds and thereafter Principal Proceeds will be used on the next Payment Date, subject to the Priorities of Payment, to the extent necessary and available, to redeem the Senior Notes, to the extent necessary to cause the relevant Senior Coverage Test to be met if recalculated following such redemption.

In the event that the Class B Overcollateralisation Ratio Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Determination Date, Interest Proceeds and thereafter Principal Proceeds will be used on the next Payment Date, subject to the Priorities of Payment, to the extent necessary and available, first to redeem the Senior Notes, and following such redemption in full, to redeem the Class B Notes (on a *pro rata* basis) in whole or in part, to the extent necessary to cause the Class B Overcollateralisation Ratio Test to be met if recalculated following such redemption.

In the event that the Class C Overcollateralisation Ratio Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Determination Date, Interest Proceeds and thereafter Principal Proceeds will be used on the next Payment Date, subject to the Priorities of Payment, to the extent necessary and available, first to redeem the Senior Notes and following such redemption in full, to redeem the Class B Notes (on a *pro rata* basis), and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis) in whole or in part, to the extent necessary to cause the Class C Overcollateralisation Ratio Test to be met if recalculated following such redemption.

In the event that the Class D Overcollateralisation Ratio Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Determination Date, Interest Proceeds and thereafter Principal Proceeds will be used on the next Payment Date, subject to the Priorities of Payment, to the extent necessary and available, first to redeem and the Senior Notes and following such redemption in full, to redeem the Class B Notes (on a *pro rata* basis), and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), and following such redemption in full, to redeem the Class D Notes (on a *pro rata* basis) in whole or in part, to the extent necessary to cause the Class D Overcollateralisation Ratio Test to be met if recalculated following such redemption.

In the event that the Class E Overcollateralisation Ratio Test (as calculated by the Collateral Administrator) is not satisfied on the immediately preceding Determination Date, Interest Proceeds and thereafter Principal Proceeds will be used on the next Payment Date, subject to the Priorities of Payment, to the extent necessary and available, first to redeem the Senior Notes and following such redemption in full, to redeem the Class B Notes (on a *pro rata* basis), and following such redemption in full, to redeem the Class C Notes (on a *pro rata* basis), and following such redemption in full, to redeem the Class D Notes (on a *pro rata* basis), and following such redemption in full, to redeem the Class E Notes (on a *pro rata* basis) in whole or in part, to the extent necessary to cause the Class E Overcollateralisation Ratio Test to be met if recalculated following such redemption.

The Reinvestment OC Test will be used during the Reinvestment Period primarily to determine whether Interest Proceeds may be used to pay the amounts payable under Condition 3(c)(i)(BB) to (KK) (inclusive) or whether such Interest Proceeds should instead be placed in the Principal Collection Account in order (i) to pay the amounts payable under Condition 3(c)(iv) (*Application of Principal Proceeds on Payment Dates*) and Condition 3(c)(iii) (*Applications Principal Payments Between Payment Dates*) or (ii) to cause the Reinvestment OC Test (as calculated by the Collateral Administrator) to be met if recalculated following such transfer.

(a) Senior Overcollateralisation Ratio Test

The "**Senior Overcollateralisation Ratio Test**" shall be satisfied in respect of any Measurement Date falling on or after the Target Date if, on such Measurement Date, the Senior Overcollateralisation Ratio is at least 133.9 per cent.

(b) Senior Interest Coverage Test

The "**Senior Interest Coverage Test**" shall be satisfied in respect of any Measurement Date falling on or after the Target Date if, on such Measurement Date, the Senior Interest Coverage Ratio is at least 105.0 per cent.

(c) Class B Overcollateralisation Ratio Test

The "**Class B Overcollateralisation Ratio Test**" shall be satisfied in respect of any Measurement Date falling or after the Target Date if, on such Measurement Date, the Class B Overcollateralisation Ratio is at least 125 per cent.

(d) Class C Overcollateralisation Ratio Test

The "**Class C Overcollateralisation Ratio Test**" shall be satisfied in respect of any Measurement Date falling on or after the Target Date if, on such Measurement Date, the Class C Overcollateralisation Ratio is at least 116.6 per cent.

(e) Class D Overcollateralisation Ratio Test

The "**Class D Overcollateralisation Ratio Test**" shall be satisfied in respect of any Measurement Date falling on or after the Target Date if, on such Measurement Date, the Class D Overcollateralisation Ratio is at least 109.1 per cent.

(f) Class E Overcollateralisation Ratio Test

The "**Class E Overcollateralisation Ratio Test**" shall be satisfied in respect of any Measurement Date falling on or after the Target Date if, on such Measurement Date, the Class E Overcollateralisation Ratio is at least 104.9 per cent.

(g) Reinvestment OC Test

The "**Reinvestment OC Test**" will be satisfied on any Measurement Date if the Reinvestment OC Ratio is at least 105.6 per cent. on such Measurement Date.

10. Treatment of Synthetic Securities

For the purposes of the Coverage Tests, the Reinvestment OC Test, the Collateral Quality Tests and the limits set forth in paragraphs (b) and (c) of the definition of "**Eligibility Criteria**", a Synthetic Security shall be included as a Collateral Debt Security having the relevant characteristics of the Synthetic Security and not of the related Reference Obligation, unless the Collateral Manager determines otherwise and receives Rating Agency Confirmation.

The interest rate or spread of a floating rate Synthetic Security shall be a fraction, expressed as a percentage and annualised, the numerator of which is the current stated interest rate or, as the case may be, periodic spread over EURIBOR or as the case may be LIBOR scheduled to be received by the Issuer from the related Synthetic Security Obligor and the denominator of which is the notional balance of such Synthetic Security.

If the Reference Obligation pursuant to a Synthetic Security is ever delivered to the Issuer and such Reference Obligation does not satisfy the Eligibility Criteria when delivered, the Issuer will not be permitted to include such Reference Obligation as a Collateral Debt Security for the purposes of the Collateral Quality Test, the Coverage Tests, the Reinvestment OC Tests or the Reinvestment Criteria.

11. Securities Lending

Provided that no Issuer Event of Default has occurred, the Issuer or the Collateral Manager acting on behalf of the Issuer, may from time to time and on a limited basis, lend Collateral Debt Securities to a Securities Lending Counterparty which has a short term debt rating or a guarantor with such rating of at least "F1" from Fitch and "A-1+" from S&P, and a long term debt rating of at least "A+" from Fitch. Any Securities Lending Agreement entered into by the Issuer with a Securities Lending Counterparty shall be for a term of no longer than 90 days. At the time a Securities Lending Agreement is entered into by the Issuer, the percentage of the Collateral Debt Securities loaned to a single Securities Lending Counterparty and all Securities Lending Counterparties and the percentage of the Maximum Investment Amount that represents Participations and Synthetic Securities entered into by the Issuer with such Securities Lending Counterparty shall not exceed the limitations set forth in paragraph (c)(x)(A) of the Eligibility Criteria for the credit rating of such Securities Lending Counterparty and the percentage of the Collateral Debt Securities loaned by the Issuer to Securities Lending Counterparty.

The Issuer shall not enter into any Securities Lending Agreement with a Securities Lending Counterparty if upon entering into such Securities Lending Agreement:

(i) the aggregate Principal Balance of the Collateral Debt Securities loaned or to be loaned by the Issuer pursuant to all Securities Lending Agreements (including the proposed Securities Lending Agreement to be entered into) will exceed 5 per cent. of the Maximum Investment Amount at such time; and

(ii) the number of Securities Lending Counterparties (including the proposed Securities Lending Counterparty), when aggregated with the Hedge Counterparties, Synthetic Security Obligors and Selling Institutions will be more than 10.

Such Securities Lending Counterparties may be Affiliates of Dresdner Bank AG London Branch and/or Affiliates of the Collateral Manager, which may create certain conflicts of interest. See "*Risk Factors—Certain Conflicts of Interest*".

Each Securities Lending Agreement shall be on market terms (except as may be required below) and shall:

(a) require that the Securities Lending Counterparty return to the Issuer debt obligations which are identical (in terms of issue and class) to the loaned Collateral Debt Securities;

(b) require that the Securities Lending Counterparty pay to the Issuer such amounts as are equivalent to all interest and other payments which the owner of the loaned Collateral Debt Security is entitled to for the period during which the Collateral Debt Security is loaned;

(c) be subject to Rating Agency Confirmation;

(d) be governed by the laws of England;

(e) permit the Issuer to assign its rights thereunder to the Trustee pursuant to the Trust Deed;

(f) only be entered into if no event of default (howsoever described) shall have occurred under any of the Transaction Documents;

(g) provide that the lending under the relevant Securities Lending Agreement will mature on or prior to the Maturity Date;

(h) ensure that the Issuer has the right to require that the loaned Collateral Debt Securities shall be returned (at no cost to the Issuer) in the event that:

(i) the loaned Collateral Debt Security is a Credit Risk Security or Defaulted Security;

(ii) the loaned Collateral Debt Security is to be redeemed; and

(iii) on or prior to any redemption of the Rated Notes;

(i) provide that the collateral posted under the Securities Lending Agreement shall be subject to such mark to market provisions as may be agreed with the Rating Agencies; and

(j) contain limited recourse and non-petition provisions in each case in substantially the same form as those set out in Condition 4(c) (*Limited Recourse and Non-Petition*).

Each Securities Lending Counterparty shall be required to post with the Issuer, Securities Lending Collateral to secure its obligation to return the Collateral Debt Securities. Such collateral will be maintained at all times with the Account Bank in an amount equal to at least 102 per cent. of the current market value (determined daily by the related Securities Lending Counterparty in accordance with standard market practice) of the loaned securities. If cash collateral is received by the Issuer, it will be invested in accordance with the related Securities Lending Agreement. Such collateral will not constitute Collateral Debt Securities and will not be available to support payments on the Senior Notes and the other Rated Notes unless the related Securities Lending Counterparty defaults in its obligation to return the loaned Collateral Debt Securities to the Issuer (see "*Risk Factors—Securities Lending*"). The Collateral Manager on behalf of the Issuer will negotiate with the Securities Lending Counterparty a rate for the loan fee to be paid to the Issuer for lending the loaned Collateral Debt Securities.

If any Rating Agency downgrades a Securities Lending Counterparty such that the Securities Lending Agreement(s) to which the Securities Lending Counterparty is a party are no longer in compliance with requirements relating to the credit ratings of the Securities Lending Counterparty, then the Issuer, or the Collateral Manager on its behalf, within ten days thereof, will terminate its Securities Lending Agreement(s) with such Securities Lending Counterparty.

Upon the termination of a Securities Lending Agreement or upon the occurrence of an event of default thereunder by the relevant Securities Lending Counterparty, the Collateral Manager or the Securities Lending Agent (pursuant to the terms of the relevant Securities Lending Agreement), as applicable, shall direct the Custodian and the Custodian shall, transfer the Securities Lending Collateral received with respect to such Securities Lending Agreement, either:

(A) if and to the extent required pursuant to the terms of such Securities Lending Agreement, to the Securities Lending Counterparty; or

(B) otherwise in relation to funds standing to the credit of the Securities Lending Account, to the Principal Collection Account as Unscheduled Principal Proceeds.

12. General Provisions Relating to the Actions of the Collateral Manager

The Collateral Debt Securities will be purchased by the Collateral Manager acting on behalf of the Issuer. It is anticipated that the Collateral Manager will either purchase Collateral Debt Securities in the secondary market on behalf of the Issuer from dealers unaffiliated with the Collateral Manager or from the Collateral

Manager or Affiliates of the Collateral Manager, or will sell Collateral Debt Securities to the Issuer from its inventory or the inventories of its Affiliates. See "*Risk Factors—Certain Conflicts of Interest*" above. The Collateral Manager on behalf of the Issuer may not acquire loans, whether from the obligor or another party, in connection with the syndication or initial placement of such loans by an Affiliate of the Collateral Manager doing business within the United States.

The Collateral Manager acting on behalf of the Issuer, may acquire interests in Collateral Debt Securities which are loans either directly (by way of novation, sale or assignment) (each a "**Transfer**") or indirectly (by way of participation or sub-participation) (each a "**Participation**"). For a discussion of certain considerations relating to Transfers and Participations see "*Risk Factors - Participations and Transfers*" above.

13. Rating Definitions

"**Fitch Rating**" means, for any Collateral Debt Security or Eligible Investment:

(a) if such Collateral Debt Security or Eligible Investment is rated by Fitch, as published in any publicly available news source, such rating;

(b) if the rating cannot be assigned pursuant to (a) (above) and there is a publicly available rating for such Collateral Debt Security by Moody's or S&P (but not both), the rating that corresponds to the Moody's or S&P rating, as the case may be;

(c) if the rating cannot be assigned pursuant to (a) or (b) (above) and there is a publicly available rating for such Collateral Debt Security by Moody's and S&P, the rating that corresponds to the lower of the Moody's or S&P rating; or

(d) if the rating cannot be assigned pursuant to (a), (b) or (c) (above), the Issuer or the Collateral Manager, on behalf of the Issuer, shall apply to Fitch for a private rating which shall then be the Fitch Rating,

provided that (x) if such Collateral Debt Security or Eligible Investment has been put on rating watch negative or negative credit watch for possible downgrade by any Rating Agency, then the rating used to determine the Fitch Rating above shall be one rating subcategory below such rating by that Rating Agency, and (y) if such Collateral Debt Security or Eligible Investment has been put on rating watch positive or positive credit watch for possible upgrade by any Rating Agency, then the rating used to determine the Fitch Rating above shall be one rating subcategory above such rating by that Rating Agency, and (z) notwithstanding the rating definition described above, Fitch reserves the right to issue a rating estimate for any Collateral Debt Security or Eligible Investment at any time.

The "**S&P Rating**" of a Collateral Debt Security will be determined as follows (and for the avoidance of doubt, a reference to S&P Rating will include a public or private rating or a credit estimate provided by S&P):

(i) if such Collateral Debt Security is not a Synthetic Security:

(A) if the issuer of such Collateral Debt Security, or a guarantor that unconditionally and irrevocably guarantees such Collateral Debt Security, is rated by S&P, then the S&P Rating for such issuer is the S&P issuer credit rating of such issuer or guarantor (whichever is highest);

(B) if there is no S&P issuer credit rating for the issuer or an unconditional and irrevocable guarantor of such Collateral Debt Security but another security or obligation of the issuer or guarantor is rated by S&P and the S&P Rating is not determined pursuant to clause (C) or (D) below, then the S&P Rating of such Collateral Debt Security shall be determined as follows: (I) if there is a rating on a senior secured debt of the issuer or guarantor, then the S&P Rating shall be one subcategory below such rating, (II) if there is a rating on a senior unsecured security or obligation of the issuer or guarantor, then the S&P Rating shall be such rating and (III) if there is a rating on a subordinated security or obligation of the issuer or guarantor, then the S&P Rating shall be one subcategory above such rating if the rating of such subordinated debt is "BBB" or higher and two subcategories higher than the rating of the subordinated debt if such subordinated debt is rated "BB+" or lower;

(C) if there is not a rating by S&P of the issuer or an obligation of such issuer or such guarantor and if such Collateral Debt Security is not rated by S&P and no other security or obligation of

the issuer or guarantor is rated by S&P, then the S&P Rating for such Collateral Debt Security may be determined using any one of the methods below:

(1) if such Collateral Debt Security is publicly rated by Fitch, then the S&P Rating will be determined in accordance with the methodologies for establishing the Fitch Rating, except that the S&P Rating of such Collateral Debt Security will be (I) one subcategory below the S&P equivalent of the rating assigned by Fitch if such Collateral Debt Security is rated "BBB-" or higher by Fitch and (II) two subcategories below the S&P equivalent of the rating assigned by Fitch if such Collateral Debt Security is rated "BB+" or lower by Fitch; *provided* that the aggregate Principal Balance of Collateral Debt Securities that may be given a S&P Rating based on a rating given by Fitch as provided in this subclause (1) may not exceed 20 per cent. of the Maximum Investment Amount;

(2) if such Collateral Debt Security is not rated by Fitch but a parallel security is publicly rated by Fitch, then the rating of such parallel security shall be determined in accordance with the methodology set forth in paragraph (C)(1) above, and the S&P Rating of such Collateral Debt Security shall be determined in accordance with the methodology set forth in paragraph (B) above (for such purpose, treating the parallel security as if it were rated by S&P at the rating determined pursuant to this paragraph (C)(2));

(3) if no other security or obligation of the issuer or guarantor is rated by S&P or Fitch, then the Issuer or the Collateral Manager on behalf of the Issuer may apply to S&P for a rating estimate, which shall be its then S&P Rating; *provided* that pending receipt from S&P of such estimate, such Collateral Debt Security shall have a S&P Rating of "B-" (if it is a Bank Loan) or "CCC" (in all other cases) for the purposes of determining S&P Rating if the Collateral Manager certifies to the Trustee that the Collateral Manager believes that such estimate will be at least "B-" or "CCC" (as applicable) and if the aggregate Principal Balance of Collateral Debt Securities having such S&P Rating solely by reason of this proviso does not exceed 5 per cent. of the Maximum Investment Amount and if there is a rating on a subordinated obligation of the issuer, then the S&P Rating shall be one subcategory above such rating if such Collateral Debt Security is a senior secured or senior unsecured obligation of the issuer;

(4) if (1) neither the issuer nor any of its affiliates (except that, for this purpose, affiliation will not result from the common ownership by a common financial sponsor) is subject to reorganisation or bankruptcy proceedings and (2) no debt security or obligation of the issuer has been in default during the past two years, the S&P Rating of such Collateral Debt Security will be "CCC"; or

(5) if a debt security or obligation of the issuer has been in default during the past two years, the S&P Rating of such Collateral Debt Security will be "D"; or

(D) if none of clauses (A) through (C) above is applicable and the Collateral Manager, the Collateral Administrator and the Trustee shall have received the prior written confirmation of S&P that the acquisition of the related Collateral Debt Security will not cause its then current rating of the Senior Notes or the Class B Notes to be reduced or withdrawn, then the S&P Rating for such issuer will be deemed to be "CCC"; and

(ii) with respect to a Collateral Debt Security that is a Synthetic Security, the S&P Rating of such Collateral Debt Security will be the S&P Rating assigned in connection with the acquisition by the Issuer of such Synthetic Security.

Notwithstanding the foregoing, if the S&P rating or ratings used to determine the S&P Rating above are on watch for possible downgrade or upgrade by S&P, the S&P Rating will be determined by adjusting such S&P rating or ratings down one subcategory (if on watch for possible downgrade) or up one subcategory (if on watch for possible upgrade).

In addition, the S&P Rating of a Collateral Debt Security which is a Synthetic Security or a Participation may have to be adjusted as set out in paragraph (c)(x) of the Eligibility Criteria in the event that a Synthetic Security Obligor or a Selling Institution is downgraded by S&P and such downgrade leads to the maximum

amount permitted from all Selling Institutions and Synthetic Security Obligors of a lower credit rating set out in the table of paragraph (c)(x) being exceeded.

DESCRIPTION OF THE COLLATERAL MANAGEMENT AGREEMENT

The collateral management functions described herein will be performed by the Collateral Manager pursuant to authority granted to the Collateral Manager by the Issuer under the Collateral Management Agreement. Pursuant to the Collateral Management Agreement the Issuer has delegated authority to the Collateral Manager to carry out certain of its functions in relation to the Portfolio without the requirement for specific approval by the Issuer.

Fees

The Collateral Manager shall, subject to the Priorities of Payment and the limited recourse and non-petition provisions of the Collateral Management Agreement (which are similar to Condition 4(c) (*Limited Recourse and Non-Petition*) under "*Conditions of the Notes*" above), be paid:

(a) an up-front fee and any applicable VAT payable thereon on the Issue Date;

(b) the Base Collateral Management Fee in arrear on each Payment Date;

(c) the Subordinated Collateral Management Fee in arrear on each Payment Date; and

(d) the Incentive Collateral Management Fee, in arrear on each Payment Date only if the Incentive Management Fee Hurdle Rate is achieved.

Any Base Collateral Management Fee and/or Subordinated Collateral Management Fee not paid on the Payment Date on which it is due will be added to the Base Collateral Management Fee and/or Subordinated Collateral Management Fee, respectively, due on the next occurring Payment Date. In the event that the Collateral Manager is replaced as described below, the Replacement Collateral Manager will be paid the Base Collateral Management Fee and the Replacement Collateral Manager Subordinated Fee, instead of the fees described above, on each Payment Date in accordance with the Priorities of Payment. No up-front fee is anticipated to be paid to any Replacement Collateral Manager.

Termination and Resignation

At any time following the second anniversary of the Issue Date, the Collateral Manager may resign upon 90 days' written notice to the Issuer with a copy to the Trustee and the Rating Agencies.

The Collateral Manager may be removed without cause (as set out in the Collateral Management Agreement) upon receiving not less than 60 days' prior written notice from the Issuer or the Trustee acting upon an Extraordinary Resolution of each Class of Notes Outstanding (excluding all Notes held by the Collateral Manager or any of its Affiliates). In circumstances where the Collateral Manager is removed without cause then, for as long as Investec Principal Finance, a business unit division of Investec Bank (UK) Ltd. ("**Investec**") or one of its Affiliates is the Collateral Manager being removed without cause, the Collateral Manager shall be entitled to the Collateral Manager Termination Amount.

In addition, the Collateral Manager may at any time be removed for cause upon 10 days' prior written notice by the Issuer or the Trustee acting upon an Extraordinary Resolution of the Controlling Class (excluding all Notes held by the Collateral Manager or any of its Affiliates).

Neither the Collateral Manager nor any Affiliate of the Collateral Manager that holds Notes may vote in a decision regarding the removal of the Collateral Manager.

For this purpose, "**cause**" will mean (a) the Collateral Manager wilfully breaches, or takes any action that it knows breaches, any provision of the Collateral Management Agreement or the Trust Deed; (b) the Collateral Manager breaches in any material respect any provision of the Collateral Management Agreement and fails to cure such breach within 30 days of receiving notice from the Issuer or the Trustee of such breach, *provided* that if such breach cannot be cured within 30 days, no cause will exist if such breach will not in the opinion of the Trustee have a material adverse effect on the Noteholders and the Collateral Manager is using all reasonable efforts to effect a cure and a cure can be effected without regard to a time period; (c) certain events of bankruptcy or insolvency occur with respect to the Collateral Manager; (d) the occurrence of an Issuer Event of Default that consists of a default in the payment of principal or interest on the Notes when due and payable or results from any breach by the Collateral Manager of its duties under the Collateral Management Agreement, which breach or default is not cured within any applicable cure period; (e) the Collateral Manager or any of its

Key Persons being convicted for fraud or a criminal offence with respect to the performance of the Collateral Manager's obligations under the Collateral Management Agreement or in the performance of its investment management services comparable to those performed under the Collateral Management Agreement; (f) the occurrence of an Issuer Event of Default pursuant to Condition 10(a)(iv) (*Collateral Debt Securities*); (g) for so long as Investec or one of its Affiliates is the Collateral Manager, the failure to replace the Key Persons in the manner specified in the Collateral Management Agreement (and more particularly described below in "*Key Persons*"); (h) the Collateral Manager is negligent in the performance of, or omissions to perform, its obligations under the Collateral Management Agreement and such negligence has a material adverse effect on the Noteholders which is not capable of remedy or if capable of remedy, is not remedied within 30 calendar days upon the Collateral Manager receiving notice from the Trustee or the Issuer to take the appropriate action; or (i) any licences, approvals, authorisations and consents which are necessary for the performance of the Collateral Manager's obligations under the Collateral Management Agreement are not in place and the Collateral Manager has not obtained or renewed such licences, approvals, authorisations and consents within 30 calendar days of becoming aware of the same not being in place and the failure to obtain or renew such licences, approvals, authorisations and consents prevents the Collateral Manager from performing its obligations under the Collateral Management Agreement.

Except as set out below, the Collateral Management Agreement will automatically terminate if the Issuer determines in good faith that the Issuer or the Collateral has become required to be registered as an "investment company" under the Investment Company Act of the United States. In such circumstances the Issuer shall notify the Collateral Manager of such determination. For the avoidance of doubt, no Collateral Manager Termination Amount will be payable in such circumstances.

No removal or resignation of the Collateral Manager while any Notes are Outstanding will be effective until the appointment by the Issuer of a successor Collateral Manager that is an established institution which is not an Affiliate of the Collateral Manager (A) who is able to demonstrate its ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement and with a substantially similar (or better) level of expertise, (B) is qualified and has the capacity (including the Dutch regulatory capacity) to act as Collateral Manager under the Collateral Management Agreement, as successor to the Collateral Manager thereunder in the assumption of all of the responsibilities, duties and obligations of the Collateral Manager thereunder, (C) will not cause the Issuer or the Collateral to become required to register under the provisions of the Investment Company Act of the United States, (D) will perform its duties as Collateral Manager under the Collateral Management Agreement without causing the Issuer or any holder of the Notes to become subject to tax in any jurisdiction where such successor Collateral Manager is established or doing business, (E) Rating Agency Confirmation is obtained with respect to the appointment of such successor Collateral Manager and (F) who will not permit any individual physically present in the United States to exercise any discretion with respect to any of the services provided by it pursuant to the Collateral Management Agreement.

Upon the receipt or giving by it of notice of the resignation or removal of the Collateral Manager, the Trustee on behalf of the Issuer acting on the instructions of an Extraordinary Resolution of the Controlling Class shall use its best efforts to appoint a successor collateral manager within 90 calendar days after the date of receipt or giving by it of the notice of resignation or removal of the Collateral Manager; *provided* that any such successor collateral manager is approved by an Extraordinary Resolution of the Class N Noteholders (excluding all Notes held by the Collateral Manager or any of its Affiliates) and *provided* further that if upon expiry of 90 calendar days of the date of such receipt or giving of such notice, the Trustee on behalf of the Issuer on the instructions of an Extraordinary Resolution of the Controlling Class has not appointed a successor to the Collateral Manager, the Collateral Manager may itself appoint a successor collateral manager, subject to the terms and conditions set out above.

Save as aforesaid, the Collateral Manager is not permitted to assign or transfer any of its rights, obligations or duties under the Collateral Management Agreement without the consent of the Issuer and the holders of a majority in aggregate principal amount outstanding of the Controlling Class; *provided*, however, that the Collateral Management Agreement may be assigned to another Affiliate of the Collateral Manager having personnel with comparable expertise and experience as that of the Collateral Manager and capable of performing (and having the regulatory capacity as a matter of Dutch law to perform) the obligations of the Collateral Manager thereunder with Rating Agency Confirmation. Pursuant to the Collateral Management Agreement, the Collateral Manager may delegate its duties to any entity but no such delegation shall relieve the Collateral Manager from any of its duties or obligations thereunder.

The Collateral Manager may take advice from such persons as it sees fit in the performance of its duties.

Upon (i) the Collateral Manager receiving a notice terminating its appointment or (ii) the Collateral Manager giving notice of its resignation and prior to a successor collateral manager being appointed by the Issuer, the Collateral Manager shall not sell any Collateral Debt Securities in the Portfolio other than Credit Risk Securities, Defaulted Securities or Defaulted Equity Securities and shall not acquire any Collateral Debt Securities on behalf of the Issuer.

The Trustee is entitled to exercise the rights and remedies of the Issuer under the Collateral Management Agreement (a) upon the occurrence of an Issuer Event of Default until such time, if any, as such Issuer Event of Default is cured or waived, (b) upon the occurrence of an event specified in the Collateral Management Agreement pursuant to which the Issuer is entitled to remove the Collateral Manager for "cause" or (c) upon a material default in the performance, or a material breach, of any covenant, representation, warranty or other agreement of the Collateral Manager under the Collateral Management Agreement or in any certificate or written notice delivered pursuant thereto if (i) so requested in writing by the holders of at least 25 per cent. in aggregate principal amount of the Notes Outstanding of the Controlling Class and (ii) such default or breach (if remediable) continues for a period of 30 days after notice has been given to the Collateral Manager by the Trustee of such default or breach.

In certain circumstances, the interests of the Issuer and/or the holders of the Notes with respect to matters as to which the Collateral Manager is acting as collateral manager to the Issuer may conflict with the interests of the Collateral Manager or its Affiliates. See "*Risk Factors—Certain Conflicts of Interest*" above.

Key Persons

For so long as Investec or one of its Affiliates is the Collateral Manager, in the event that three out of four of the Key Persons cease to be employed by the Collateral Manager or any of its Affiliates, the Collateral Manager must within 90 days following the occurrence of such event, hire a suitably qualified professional with the comparable experience of the relevant Key Persons. The failure by the Collateral Manager to find a replacement for the Key Persons who are no longer in the employment of the Collateral Manager or any of its Affiliates after the 90 day period will constitute "cause" for which the Collateral Manager may be removed. "**Key Persons**" means Andy Clapham, Henrik Malmer, Jeff Boswell and David Beadle and any replacement for each of them from time to time and "**Key Person**" means each or any of them (including any replacement).

Holding of Class N Notes

On the Issue Date, Investec and/or one or more of its Affiliates will acquire 25 per cent. of the principal amount of the Class N Notes Outstanding. Investec and/or any fund, partnership, trust, company or any entity with respect to which it acts as investment manager will not acquire or hold at any time, directly or indirectly, more than 25 per cent. of the principal amount outstanding of the Class N Notes. It is the intention of Investec either to hold, directly or indirectly, or to have a fund, partnership, trust, company or other entity with respect to which it acts as investment manager hold, a minimum average of 19.5 per cent. of the principal amount outstanding of the Class N Notes in any five year period until maturity or earlier redemption, so long as Investec is the Collateral Manager.

DESCRIPTION OF THE LIQUIDITY FACILITY AGREEMENT

Liquidity Facility Agreement

The Issuer, the Trustee, the Collateral Manager, the Collateral Administrator and Dresdner Bank AG London Branch in its capacity as a liquidity facility provider (the "**Liquidity Facility Provider**") will enter into a liquidity facility agreement (the "**Liquidity Facility Agreement**") to be dated on or about the Issue Date.

Purpose

For the period from (and including) the Issue Date until (and excluding) the date which falls 365 days after the Issue Date and, subject to extension in accordance with the terms of the Liquidity Facility Agreement, each subsequent period of 365 days (the "**Commitment Period**"), the Issuer, subject to satisfaction of certain conditions and, *provided* that the Senior Overcollateralisation Ratio is at least 100 per cent. on the Determination Date prior to the relevant drawdown date, no later than two Business Days prior to a Payment Date will be entitled to draw under the Liquidity Facility Agreement an amount (the "**Liquidity Limit**") equal to the lesser of (a) the undrawn amount of the Liquidity Facility; (b) the Accrued Euro Collateral Interest Amount with respect to drawings denominated in Euro and the Accrued Sterling Collateral Interest with respect to drawings denominated in Sterling; and (c) such lesser amount as determined by the Collateral Manager on behalf of the Issuer. The undrawn amount of the Liquidity Facility shall be calculated by deducting all amounts drawn from the Liquidity Limit. Such drawn amount shall be used to make such payments in accordance with the Priorities of Payment to meet any shortfalls in respect of Euro Interest Proceeds or, as the case may be, Sterling Interest Proceeds on any Payment Date. The maximum commitment under the Liquidity Facility Agreement will be €6,800,000 or its Sterling equivalent (converted from Euro using the Issue Date Spot Rate). Notwithstanding the fact that no further drawings may be made under the Liquidity Facility Agreement after the expiry of the Commitment Period, it is possible that drawings could remain outstanding until the Maturity Date or a Redemption Date, if earlier. The commitment under the Liquidity Facility Agreement will be cancelled in full by the Issuer on the earlier of (i) the last day of the Commitment Period (unless otherwise extended pursuant to the terms of the Liquidity Facility Agreement) and (ii) the date on which the Class A Notes are redeemed in full. The minimum drawdown under the Liquidity Facility will be €50,000 or its equivalent in Sterling at the Issue Date Spot Rate.

Covenants and Obligations

The Facility

Under the terms of the Liquidity Facility Agreement, the Liquidity Facility Provider has agreed to provide the credit facility (the "**Liquidity Facility**") for the purpose stated above.

Interest and Commitment Fee

The rate of interest on each drawing under the Liquidity Facility is equal to the aggregate of 0.30 per cent. per annum and EURIBOR (with respect to a drawing denominated in Euro) or LIBOR (with respect to a drawing denominated in Sterling). The rate of interest on the stand-by liquidity drawing referred to below is equal to the aggregate of the rate of interest earned on the Stand-by Liquidity Account (including the amounts earned on any Eligible Investments expressed as a percentage) and 0.15 per cent. per annum.

In addition, the Issuer shall pay to the Liquidity Facility Provider a commitment fee computed at the rate of 0.15 per cent. per annum on the undrawn, uncancelled amount of the Liquidity Limit during the period from the Issue Date up to and including the last day of the Commitment Period which shall be payable semi-annually on each Payment Date.

Repayments

Each advance under the Liquidity Facility together with interest thereon must be repaid on the second Payment Date following the relevant drawdown date. In addition, the Issuer may at its discretion repay some or all of the principal amount of any advance drawn under the Liquidity Facility together with interest thereon at any time other than a Payment Date out of funds standing to the credit of the relevant Liquidity Payment Account (as described below) save that where such payment is made otherwise than on the expiry of any designated interest period, breakage costs may be payable. The Issuer shall be required to repay all amounts due and owing to the Liquidity Facility Provider (including the outstanding principal amount of any liquidity

drawing and accrued interest thereon) under the Liquidity Facility Agreement in the currency in which it is denominated on each Payment Date.

Liquidity Payment Accounts

The Issuer has further agreed to credit the relevant Liquidity Payment Account held at the Account Bank with amounts which represent Euro Interest Proceeds or, as the case may be, Sterling Interest Proceeds attributable to amounts funded pursuant to the Liquidity Facility received by the Issuer from the Euro Collateral Debt Securities or the Sterling Collateral Debt Securities in the Portfolio as and when such amounts are received by it pending repayment by the Issuer of interest and principal of any advance drawn under the Liquidity Facility (but only up to a maximum amount equal to the advance then outstanding and accrued interest thereunder and, where applicable, breakage costs incurred in respect of such advance as calculated by the Liquidity Facility Provider under the Liquidity Facility Agreement). Subject to certain conditions, the Issuer shall procure that on any date (other than a Payment Date) on which it elects to make a payment in respect of the advance outstanding and the accrued interest thereon, an amount up to the balance standing to the credit of the relevant Liquidity Payment Account be withdrawn and paid directly to the Liquidity Facility Provider.

Termination

The Liquidity Facility Agreement may only be terminated by the Liquidity Facility Provider if (i) the Issuer fails to pay any amount due thereunder on its due date, *provided* that where any non-payment is a result of a technical problem, such failure continues for a period of 3 Business Days of its due date; (ii) an Enforcement Notice is delivered to the Issuer and remains in effect; (iii) if it becomes unlawful for the Issuer to perform any of its obligations under the Liquidity Facility Agreement; or (iv) the Issuer becomes subject to insolvency proceedings.

Stand-by Liquidity Account

The Liquidity Facility Provider is required to have a short term senior unsecured debt rating of at least "F1" by Fitch and "A-1" by S&P. The Liquidity Facility Agreement will provide that if at any time the ratings of the Liquidity Facility Provider falls below a short term senior unsecured debt rating of at least "F1" by Fitch or "A-1" by S&P, the Issuer shall require the Liquidity Facility Provider, within 30 calendar days thereof (during which period the Liquidity Facility Provider will be deemed to be in compliance with the ratings described above), either to (i) find a replacement liquidity facility provider meeting the Rating Requirement who will enter into a liquidity facility agreement with the Issuer on substantially the same terms as the Liquidity Facility Agreement; or (ii) find a guarantor meeting the Rating Requirement to guarantee the obligations of the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement; or (iii) pay into a designated account of the Issuer (the "**Stand-by Liquidity Account**") held with the Account Bank an amount equal to the difference between the aggregate amount then outstanding under the Liquidity Facility Agreement and the Liquidity Limit. The Liquidity Facility Provider will also be required to make such a payment to the Stand-by Liquidity Account where the Liquidity Facility Provider does not agree to extend the Commitment Period at the expiry of the then current Commitment Period (a "**Non-Extension Drawing**"). The Collateral Administrator shall on behalf of the Issuer invest the amounts not required to be utilised in the Stand-by Liquidity Account from time to time in Eligible Investments if directed to do so by the Liquidity Facility Provider in accordance with the provisions of the Liquidity Facility Agreement.

The Issuer may only withdraw amounts standing to the credit of the Stand-by Liquidity Account for the same purpose as such amount would have been available for drawing under the Liquidity Facility Agreement and any amount withdrawn shall be repaid to the Stand-by Liquidity Account (in whole or in part) in accordance with the provisions relating to other drawings under the Liquidity Facility Agreement. Where a drawing under the Liquidity Facility Agreement is required to be made in Sterling, the Issuer shall withdraw a sufficient amount of Euro from the Stand-by Liquidity Account for such drawing and shall enter into a forward agreement with a Hedge Counterparty to acquire the same amount of Euro withdrawn from the Stand-by Liquidity Account on the Payment Date following the next Payment Date. The euro amounts received by the Issuer pursuant to the forward agreement shall be deposited into the Stand-by Liquidity Account on the relevant Payment Date.

Instead of drawing the undrawn commitment in Euro, the Issuer may choose to withdraw the undrawn commitment of the Liquidity Facility in Euro and Sterling and if the Issuer so chooses, it shall ensure that the Stand-by Liquidity Account denominated in Sterling is opened with the Account Bank and the Sterling amounts are deposited in the Stand-by Liquidity Account denominated in Sterling. The amount which can be drawn in

Sterling by the Issuer shall not exceed a maximum amount of €2,500,000 converted into Sterling at the Issue Date Spot Rate.

Amounts standing to the credit of the Stand-by Liquidity Account shall be repayable to the Liquidity Facility Provider in the event, *inter alia*, (i) other than in the case of a Non-Extension Drawing, if applicable, the existing Liquidity Facility Provider's rating satisfies the Rating Requirement; (ii) the Issuer cancels the Liquidity Facility; (iii) the Issuer replaces the existing Liquidity Facility Provider, subject to the approval of the Trustee, with a liquidity facility provider who meets with the Rating Requirement and enters into an agreement with the Issuer and the Trustee substantially on the same terms as the Liquidity Facility Agreement or (iv) the earlier to occur of (A) the final redemption of the Class A Notes and (B) the occurrence of an Issuer Event of Default or a default by the Issuer under the Liquidity Facility Agreement.

Miscellaneous

The Liquidity Facility Agreement includes provisions for payments in respect of increased costs and indemnities (including without limitation for tax indemnities) and other provisions dealing in the matters commonly dealt with in revolving loan facilities in the United Kingdom.

DESCRIPTION OF THE REPORTS

Monthly Reports

The Collateral Administrator shall not later than the fifteenth Business Day after the 20th day of the month or if such day is not a Business Day, the next succeeding Business Day, commencing in January 2008, on behalf of the Issuer, compile and provide to the Trustee, the Collateral Manager, the Issuer and the Rating Agencies and, upon written request therefor in accordance with Condition 4(d) (*Information Regarding the Portfolio*) certifying that it is a holder of a beneficial interest in any Note, to such holder, a monthly report (the "**Monthly Report**"), which shall contain the following information with respect to the Collateral Debt Securities, determined by the Collateral Administrator as of the 20th day of the month or if such day is not a Business Day, the next succeeding Business Day:

Portfolio

(a) the aggregate of the Principal Balances of, respectively, the Collateral Debt Securities and Collateral Enhancement Securities, the annual interest rate, Stated Maturity, obligor under, industry and Fitch Recovery Rate and S&P recovery rate and Fitch Rating and S&P Rating (if applicable) (but not any confidential credit estimate) of, each Collateral Debt Security and Collateral Enhancement Security (including identifying which of the Collateral Debt Securities or Collateral Enhancement Securities (if any) have been downgraded or upgraded by either of the Rating Agencies since the date of the last Monthly Report) unless prevented from doing so in relation to non-public ratings that cannot be disclosed as agreed to under the terms of receiving such ratings;

(b) the identity of, respectively, any Collateral Debt Securities and Collateral Enhancement Securities that were released for sale or other disposition (excluding those released pursuant to any Securities Lending Agreement) (and the nature of any such sale or disposition, for example, whether it was the sale of a Credit Risk Security, a Credit Improved Security or a discretionary sale) or that were acquired since the date of determination of the last Monthly Report;

(c) the purchase or sale price of each Collateral Debt Security and Collateral Enhancement Securities acquired and/or sold since the date of determination of the last Monthly Report and the identity of the purchasers or sellers thereof, if any, that are Affiliated with the Collateral Manager;

(d) subject to any confidentiality obligations binding on the Issuer, the identity of each Collateral Debt Security which became a Defaulted Security or in respect of which a Defaulted Equity Security has been received since the date of determination of the last Monthly Report;

Accounts

(a) the amount of any proceeds standing to the credit of the Interest Collection Account, the Principal Collection Account, the Sterling Interest Account and the Sterling Principal Account;

(b) the amount of any funds standing to the credit of the Initial Proceeds Account, the Collateral Enhancement Account, the Additional Collateral Account, the Sterling Additional Collateral Account, the Euro Principal Reserve Account, the Euro Payment Account, the Sterling Payment Account, the Liquidity Payment Accounts, the Stand-by Liquidity Account, the Securities Lending Account, the Euro Expense Account, the Sterling Expense Account, the Custody Account and any other accounts (including any Stand-by Account) of the Issuer as may be established from time to time;

Hedge Transactions

(a) the outstanding notional amount of each Hedge Transaction and the current rates of interest (if an interest hedge transaction) or the current rates of exchange (if a currency hedge transaction or Asset Swap Transaction);

(b) the amount scheduled to be received and paid by the Issuer pursuant to each Hedge Transaction on the next Payment Date;

(c) the amount received and paid by the Issuer pursuant to each Hedge Transaction since the date of the last Monthly Report;

Coverage Tests, Reinvestment OC Test and Collateral Quality Tests

(a) the Senior Overcollateralisation Ratio, Class B Overcollateralisation Ratio, Class C Overcollateralisation Ratio, Class D Overcollateralisation Ratio, Class E Overcollateralisation Ratio, Reinvestment OC Ratio and a statement as to whether each of such tests is satisfied;

(b) the Senior Interest Coverage Ratio and a statement as to whether such test is satisfied;

(c) a statement as to whether the Maximum Weighted Average Fitch Rating Factor Test is satisfied;

(d) the Fitch Weighted Average Recovery Rate and a statement as to whether the Minimum Fitch Weighted Average Recovery Rate Test is satisfied;

(e) the Weighted Average Life and a statement as to whether the Weighted Average Life Test is satisfied;

(f) the Weighted Average Spread and a statement as to whether the Minimum Weighted Average Spread Test is satisfied;

(g) the S&P Minimum Average Recovery Rate and a statement as to whether the S&P Minimum Weighted Average Recovery Rate Test is satisfied;

(h) a statement as to whether the CDO Evaluator Test is satisfied;

together with all underlying information used to calculate each of the above;

Eligibility Criteria

(a) the aggregate Principal Balance consisting of Bank Loans, cash and Eligible Investments;

(b) the aggregate Principal Balance (in Euro or its equivalent in Sterling using the Issue Date Spot Rate):

(i) which consists of Mezzanine Loans, Second Lien Loans, CLO Securities and Special Debt Securities;

(ii) which consists of CLO Securities;

(iii) which consists of Special Debt Securities;

(iv) which consists of Synthetic Securities and identifying those Synthetic Securities entered into for the sole purpose of producing payments denominated in Euro in respect of non-Euro denominated securities or shortening the maturity of the Reference Obligation and, in respect of any such Synthetic Security, identifying the rating of the counterparty of any associated put or other acceptable instrument;

(v) which consists of Participations and identifying those Participations which are Secured Participations;

(vi) which have a rating of "CCC+" or less;

(vii) which consists of Collateral Debt Securities consisting of obligations in respect of which an Obligor is incorporated or established under the laws of the United States of America or any state thereof;

(viii) which provide for payment of interest in cash less frequently than quarterly and more frequently than semi-annually;

(ix) which consists of obligations with a Stated Maturity which falls later than the Maturity Date of each Class of Notes;

(x) which consists of Collateral Debt Securities in respect of which the holder has the right to acquire an equity interest in the obligor (including by means of converting any part of the debt obligation into equity);

(xi) which consists of Collateral Debt Securities which are loaned pursuant to any Securities Lending Agreement;

(xii) which consists of Participations with Selling Institutions rated less than "A-1+" by S&P;

(xiii) which consists of Synthetic Securities with Synthetic Securities Obligors rated less than "A-1+" by S&P;

(xiv) which consists of Collateral Debt Securities which are loaned pursuant to any Securities Lending Agreement with Securities Lending Counterparties rated less than "A-1+" by S&P;

(xv) which consists of Collateral Debt Securities of obligors that are incorporated or established under the laws of any countries rated less than "A-1+" by S&P;

(xvi) which consists of Long Dated Securities;

(xvii) which consists of PIK Securities;

(xviii) which consists of Collateral Debt Securities with a Fitch Rating determined by reference to a S&P Rating;

(xix) which consists of Discount Collateral Debt Securities;

(xx) which consists of obligors incorporated or established under the laws of each country in the Portfolio;

(xxi) which consists of Defaulted Securities; and

(xxii) which consists of Sterling Collateral Debt Securities;

(c) the aggregate principal amount of (i) Bank Loans of any single obligor; and (ii) of Mezzanine Loans, Second Lien Loans and CLO Securities of any single obligor;

(d) the aggregate principal amount of Collateral Debt Securities with the same S&P industry group;

Interest

(a) the estimated interest payment for the Class N Notes on the next Payment Date based on projected scheduled interest payments on the Collateral Debt Securities included in the Portfolio, less projected estimated amounts payable pursuant to Condition 3(c)(i)(A) to (HH) (inclusive) and Condition 3(c)(iii)(A) to (Y) (inclusive) (other than payments on the Class N Notes) on such Payment Date;

(b) the Interest Amount payable in respect of the Senior Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes on the next Payment Date;

(c) Applicable EURIBOR for the related Due Period and the Class A1A Euro Rate of Interest, the Class A1A Sterling Rate of Interest, the Class A1B Note Interest Rate, the Class A2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate, the Class D Note Interest Rate and the Class E Note Interest Rate.

Noteholder Valuation Report

The Collateral Administrator, on behalf of the Issuer, shall render a report (the "**Noteholder Valuation Report**"), prepared and determined as of each Determination Date, and delivered to the Collateral Manager, the Issuer, the Trustee, any Noteholder (upon written request therefor in accordance with Condition 4(d) (*Information Regarding the Portfolio*) certifying that it is a Noteholder) and the Rating Agencies not later than the tenth Business Day following the related Payment Date. Upon preparation of each Noteholder Valuation Report, the Collateral Administrator, in the name and at the expense of the Issuer, shall notify the Irish Stock Exchange of the aggregate principal amount of the Notes of each Class Outstanding after giving effect to the principal payments, if any, on the next Payment Date. The Noteholder Valuation Report shall contain the following information:

Portfolio

(a) the information required under "*Monthly Reports"* above other than the information under the heading "*Accounts*";

Notes

(a) the aggregate principal amount of the Notes of each Class Outstanding and such aggregate amount as a percentage of the original aggregate amount of the Notes of such Class Outstanding at the beginning of the Due Period, the amount of principal payments to be made on the Notes of each Class on the next Payment Date, and the aggregate amount of the Notes of each Class Outstanding and such aggregate amount as a percentage of the original aggregate amount of the Notes of such Class Outstanding after giving effect to the principal payments, if any, on the next Payment Date;

(b) the interest payable in respect of each Class of Notes on the related Payment Date (in the aggregate and by Class);

Payment Date Payments

(a) the amounts payable pursuant to Condition 3(c)(i) (*Application of Interest Proceeds on Payment Dates*), Condition 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*) of the Conditions of the Notes on the related Payment Date;

(b) the amounts that have been paid since the previous Payment Date pursuant to Conditions 3(c)(ii) (*Application of Interest Proceeds between Payment Dates*) and Condition 3(c)(iv) (*Application of Principal Proceeds between Payment Dates*);

(c) the Trustee Fees, Capital Commitment Registrar Fees, and Administrative Expenses payable on the related Payment Date on an itemised basis;

(d) any scheduled amounts payable by any Hedge Counterparty on or immediately prior to related Payment Date;

Accounts

(a) the amount standing to the credit of the Principal Collection Account, Interest Collection Account, Euro Principal Reserve Account, Sterling Interest Account and Sterling Principal Account at the end of the related Due Period;

(b) the amount standing to the credit of the Principal Collection Account, Interest Collection Account, Euro Principal Reserve Account, Sterling Interest Account and Sterling Principal Account immediately after all payments and deposits to be made on the next Payment Date;

(c) the amount standing to the credit of the Collateral Enhancement Account, the Liquidity Payment Accounts, the Stand-by Liquidity Account and the Securities Lending Account at the end of the related Due Period;

(d) the amount standing to the credit of the Additional Collateral Account, Sterling Additional Collateral Account, Initial Proceeds Account, Euro Expense Account and Sterling Expense Account, the Custody Account and any other accounts (including the Stand-by Account) established by the Issuer from time to time at the end of the related Due Period.

The Monthly Report and the Noteholder Valuation Report shall state that it is for informational purposes only, that certain information included in the report is estimated, approximated or projected and that the report is provided without any representations or warranties as to accuracy or completeness and that none of the Collateral Manager, the Issuer, the Trustee or the Collateral Administrator will have any liability for such estimates, approximations or projections.

For so long as any of the Notes are Outstanding and admitted to the Official List and trading on the Irish Stock Exchange's regulated market, the Issuer shall post an announcement at the Companies Announcement Office of the Irish Stock Exchange that the Reports are available for inspection at the registered office of the Issuer.

DESCRIPTION OF THE HEDGE ARRANGEMENTS

The following is a summary of the principal terms of the hedging arrangements to be entered into by the Issuer on the Issue Date. The following is a summary only and should not be relied upon as an exhaustive description of the detailed provisions of such documents (copies of which are available from the specified offices of the Irish Listing Agent and any Transfer Agent).

Hedge Agreements

On or about the Issue Date, the Issuer will enter into Sterling call options (the "**Initial Hedge Agreement**" and together with any subsequent hedge agreements being a "**Hedge Agreement**")) with the Initial Hedge Counterparty. Subsequent hedging transactions may be entered into with any other person (each, including the Initial Hedge Counterparty, a "**Hedge Counterparty**"), *provided* that any Hedge Counterparty has the regulatory capacity to enter into derivatives transactions with Dutch residents. Each Hedge Counterparty (a guarantor of its obligations) will have to have a short term debt rating of "F1" by Fitch and "A-1+" by S&P and a long term debt rating of "A+" by Fitch.

The Initial Hedge Agreement is documented under a 1992 Master Agreement (*Multicurrency—Cross Border*) in the form published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"). Transactions entered into under a Hedge Agreement are documented in confirmations to such Hedge Agreement. Each transaction will be evidenced by a confirmation entered into pursuant to a Hedge Agreement (each a "**Hedge Transactions**").

The Initial Hedge Agreement will be governed by English law.

Initial Hedge Transactions

On the Issue Date, the Issuer will acquire Sterling call options. After the Issue Date, the Issuer may from time to time enter into interest rate or currency swap transactions, in each case subject to the Issuer having obtained prior Rating Agency Confirmation unless such transactions are Form-Approved Hedges.

Upon the exercise by the Collateral Manager of all or part of the Sterling call options as set out in the Collateral Management Agreement, the Collateral Manager shall use the Sterling amounts received, either (a) to repay Sterling Drawings as set out in the Class A1A Note Purchase Agreement; or (b) as part of the Sterling Interest Proceeds or Sterling Principal Proceeds to be applied in accordance with the Priorities of Payment on a Payment Date.

Asset Swap Transactions

On or after the Issue Date, the Issuer may enter into Asset Swap Transactions to hedge payments to be received pursuant to Non-Euro Collateral Debt Security and the Issuer shall be required to obtain Rating Agency Confirmation with respect to each new Asset Swap Transaction unless such Asset Swap Transaction is a Form-Approved Hedge.

Standard Terms of Hedge Agreements

Each Hedge Agreement shall contain the standard terms required by the Rating Agencies for the type of transaction described in this Prospectus including limited recourse and non-petition language and provisions in the event of a downgrade of the Hedge Counterparties. Each new Hedge Agreement shall, unless it is a Form-Approved Hedge, be the subject of Rating Agency Confirmation at the time it is entered into by the Issuer.

DESCRIPTION OF THE CLASS A1A NOTE PURCHASE AGREEMENT

The following is a summary of the principal terms of the Class A1A Note Purchase Agreement entered into by the Issuer on the Issue Date, which should not be relied upon as an exhaustive description of the detailed provisions of such document (copies of which are available from the specified offices of the Irish Listing Agent and any Transfer Agent).

Purpose

The Note Purchase Facility shall be used only for funding the purchase by the Collateral Manager on behalf of the Issuer of Collateral Debt Securities during the Ramp-Up Period and the Reinvestment Period in accordance with the Class A1A Note Purchase Agreement.

Euro Drawings shall be used to purchase Euro Collateral Debt Securities or Non-Euro Collateral Debt Securities which are the subject of an Asset Swap Transaction and Sterling Drawings shall be used to purchase Sterling Collateral Debt Securities during the Ramp-Up Period and the Reinvestment Period.

Initial available commitment

The maximum aggregate principal amount of the Note Purchase Facility is €75,000,000 or its Sterling equivalent converted at the Issue Date Spot Rate in the case of any amounts drawn in Sterling (the "**Note Purchase Facility**"). Any Euro Drawing made under the Class A1A Note Purchase Agreement shall reduce the sum of the Undrawn Amount which is thereafter available to be drawn down (X) in Euro by an amount equal to such Euro Drawing and (Y) in Sterling by the Sterling equivalent of such Euro Drawing calculated using the Issue Date Spot Rate, without double counting. Any Sterling Drawing made under the Class A1A Note Purchase Agreement shall reduce the sum of the Undrawn Amount which is thereafter available to be drawn down (X) in Sterling by an amount equal to such Sterling Drawing and (Y) in Euro by the Euro equivalent of such Sterling Drawing calculated using the Issue Date Spot Rate, without double counting.

Interest payments

Interest in respect of a Drawing under the Class A1A Notes and a Class A1A Notes Interest Period shall be calculated by the Principal Paying Agent applying (i)(a) in the case of a Euro Drawing, the relevant Class A1A Euro Rate of Interest to an amount equal to such Euro Drawing on the relevant Payment Date, or, as the case may be, the date such Drawing is repaid and (b) in the case of a Sterling Drawing, the relevant Class A1A Sterling Rate of Interest to an amount equal to such Sterling Drawing on the relevant Payment Date, or as the case may be, the date such Drawing is repaid and (ii) the applicable Class A1A Day Count Fraction (the aggregate of each such amount in respect of each Drawing and a Class A1A Notes Interest Period, the "**Class A1A Interest Amount**") and the Principal Paying Agent shall also calculate the Class A1A Aggregate Interest Amount.

The rate of interest payable on a Euro Drawing for each Class A1A Notes Interest Period (the "**Class A1A Euro Rate of Interest**") shall be the rate determined by the Principal Paying Agent to be the aggregate of (a) 0.30 per cent. per annum (the "**Class A1A Margin**"); and (b) Class A1A EURIBOR. The rate of interest payable on a Sterling Drawing for each Class A1A Notes Interest Period (the "**Class A1A Sterling Rate of Interest**") shall be the rate determined by the Principal Paying Agent to be the aggregate of the Class A1A Margin and Class A1A LIBOR.

If the Issuer fails to pay any amount in accordance with the Class A1A Note Purchase Agreement, other than to the extent limited by the Trust Deed and the Priorities of Payment, the Issuer shall pay a default interest amount of one per cent. per annum over and above the rates set out above.

If at any time during a Class A1A Notes Interest Period, the Senior Notes are not rated at least "AA" by Fitch and "AA" by S&P, respectively, an additional rate of 0.15 per cent. per annum (the "**Class A1A Increased Margin**") will be added to the Class A1A Euro Rate of Interest and the Class A1A Sterling Rate of Interest.

Principal payments

(a) Subject to the provisions of the Class A1A Note Purchase Agreement and the Conditions, the Issuer shall repay the amount of Total Outstandings using Euro Principal Proceeds, Sterling Principal

Proceeds, Euro Interest Proceeds and Sterling Interest Proceeds as the case may be, on the Repayment Date.

(b) The Issuer shall repay Drawings out of Euro Principal Proceeds, Sterling Principal Proceeds, Euro Interest Proceeds and Sterling Interest Proceeds as the case may be, in accordance with the Priorities of Payment.

(c) If any Class A1B Refinancing Notes are issued, the Issuer shall repay Drawings on the date of the issuance of such Class A1B Refinancing Notes, subject to the Priorities of Payment, in an amount equal to the lesser of (1) the Total Outstandings and (2) the net proceeds of issue of such Class A1B Refinancing Notes.

(d) Upon the occurrence of a Sterling Funding Mismatch the Issuer shall repay Sterling Drawings on the relevant Payment Date in an amount equal to such Sterling Funding Mismatch, in accordance with the Priorities of Payment and the Collateral Management Agreement.

(e) The Issuer may, on any Business Day prepay a Drawing in whole or in part together with any Break Costs and the Class A1A Interest Amount, *provided* that (i) each prepayment of Euro Drawings shall be in Euro and each prepayment of Sterling Drawings shall be in Sterling, and (ii) it has given the Capital Commitment Registrar, the Class A1A Noteholders and the Trustee not less than 3 Business Days' written notice, identifying and stating the amount (which shall be a minimum amount of €1,000,000 or £500,000 as applicable or such higher amount as the Collateral Manager may designate or such other lower amounts as may be agreed from time to time by the Collateral Manager on behalf of the Issuer and the Class A1A Noteholders) of the Drawing to be prepaid and the date of such prepayment.

Commitment Fees

The Issuer shall pay a commitment fee in Euro in respect of each Interest Accrual Period which:

(a) shall be calculated on the basis of actual days elapsed in such Interest Accrual Period and a 360 day year at the rate of 0.15 per cent. per annum of the daily weighted average amount in such Interest Accrual Period of the Undrawn Amount; and

(b) shall be paid to the Capital Commitment Registrar for the account of the Class A1A Noteholders, in respect of each Interest Accrual Period, on the Payment Date immediately following the end of such Interest Accrual Period in accordance with the Priorities of Payment.

Termination

The Class A1A Noteholder's obligation to fund Drawings under the Class A1A Note Purchase Agreement will cease in accordance with the provisions of the Class A1A Note Purchase Agreement including without limitation on the earliest to occur of (a) the end of the Reinvestment Period; (b) the Issuer having given notice terminating the Note Purchase Facility and the Class A1A Noteholders having consented thereto in writing; (c) the Senior Notes being mandatorily redeemed pursuant to Condition 7(c) (*Mandatory Redemption*); (d) the Class A1B Refinancing Notes being issued and the Total Outstandings being repaid with the proceeds thereof; and (e) the occurrence of an Issuer Event of Default.

In addition, the amount available to be drawn under the Class A1A Notes will be reduced by an amount equal to the amount described in paragraphs (b), (c), (d) and (e) above under "*Principal Payments*".

Miscellaneous

The Class A1A Note Purchase Agreement includes provisions for payments in respect of indemnities (including without limitation for Break Costs).

Rating of Class A1A Noteholder and Defaulting Class A1A Noteholder

Each holder of a Class A1A Note or its guarantor, as applicable, must also satisfy certain Rating Requirements. If any holder of a Class A1A Note or its guarantor, as applicable, fails to satisfy the Rating Requirements set out in the Class A1A Note Purchase Agreement or otherwise defaults on its obligation to

provide Drawings under the Class A1A Note Purchase Agreement, the holder of the Class A1A Note shall be required to take action as set out more specifically in the Class A1A Note Purchase Agreement which could include amongst other things, transferring its obligations to an entity meeting the Rating Requirement or depositing the amount of its proportion of the Undrawn Amount into a Stand-by Account established with respect to such Class A1A Noteholder where the same may be applied in meeting such Class A1A Noteholder's obligations under the Class A1A Note Purchase Agreement.

Mechanics of and conditions to drawing

See also "*Description of the Portfolio—Fundings under the Class A1A Notes and Acquisition of Additional Collateral Debt Securities*".

DESCRIPTION OF THE ACCOUNTS

Accounts

The Issuer will, prior to the Issue Date, establish with the Account Bank, the Principal Collection Account, the Interest Collection Account, the Sterling Principal Account, the Sterling Interest Account, the Euro Expense Account, the Sterling Expense Account, the Initial Proceeds Account, the Collateral Enhancement Account, the Additional Collateral Account, the Sterling Additional Collateral Account, the Euro Payment Account, the Sterling Payment Account, the Euro Liquidity Payment Account, the Sterling Liquidity Payment Account, the Stand-by Liquidity Account, the Securities Lending Account and the Euro Principal Reserve Account.

Principal Collection Account

The Issuer will, or shall procure that the Collateral Administrator will, credit all Euro Principal Proceeds to the Principal Collection Account. Amounts standing to the credit of the Principal Collection Account (save for amounts designated for reinvestment by the Collateral Manager in accordance with the Collateral Management Agreement in respect of which the time periods specified for reinvestment have not expired and certain other amounts, which will be transferred to the Additional Collateral Account) shall be transferred to the Euro Payment Account, to the extent required, for disbursement in accordance with Condition 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*) and Condition 3(c)(iv) (*Application of Principal Proceeds between Payment Dates*) and otherwise shall be applied in the acquisition of Additional Collateral Debt Securities to the extent permitted pursuant to the Collateral Management Agreement.

Interest Collection Account

The Issuer will, or shall procure that the Collateral Administrator will, credit all Euro Interest Proceeds to the Interest Collection Account. Amounts standing to the credit of the Interest Collection Account shall be transferred to the Euro Payment Account to the extent required, for disbursement pursuant to Condition 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) on a Payment Date and will be applied between Payment Dates in paying certain obligations described in Condition 3(c)(ii) (*Application of Interest Proceeds between Payment Dates*).

Sterling Principal Account

The Issuer will, or shall procure that the Collateral Administrator will, credit all Sterling Principal Proceeds to the Sterling Principal Account. Amounts standing to the credit of the Sterling Principal Account (save for amounts designated for reinvestment by the Collateral Manager in accordance with the Collateral Management Agreement in respect of which the time periods specified for reinvestment have not expired and certain other amounts, which will be transferred to the Sterling Additional Collateral Account) shall be transferred to the Sterling Payment Account, to the extent required, for disbursement in accordance with Condition 3(c)(iii) (*Application of Principal Proceeds on Payment Dates*) and Condition 3(c)(iv) (*Application of Principal Proceeds between Payment Dates*) and otherwise shall be applied in the acquisition of Additional Collateral Debt Securities to the extent permitted pursuant to the Collateral Management Agreement.

Sterling Interest Account

The Issuer will, or shall procure that the Collateral Administrator will, credit all Sterling Interest Proceeds to the Sterling Interest Account. Amounts standing to the credit of the Sterling Interest Account shall be transferred to the Sterling Payment Account, to the extent required, be applied pursuant to Condition 3(c)(i) (*Application of Interest Proceeds on Payment Dates*) on a Payment Date and will be applied between Payment Dates in paying certain obligations described in Condition 3(c)(ii) (*Application of Interest Proceeds between Payment Dates*).

Euro Expense Account

The Issuer credited €50,000 or such lesser amount as determined by the Collateral Manager to the Euro Expense Account out of the net proceeds of issue on the Issue Date. Such amount may be applied at any time in paying certain miscellaneous expenses of the Issuer denominated in Euro. Additional amounts will be credited to the Euro Expense Account in accordance with the Priorities of Payment in Condition 3(c) (*Priorities of Payment*). Amounts standing to the credit of the Euro Expense Account may be invested in Eligible

Investments having a maturity date no later than the last Business Day of the Due Period in which such Eligible Investment was acquired.

Sterling Expense Account

An amount of £20,000 will be credited to the Sterling Expense Account in accordance with the Priorities of Payment in Condition 3(c) (*Priorities of Payment*) and such amount may be applied at any time in paying certain miscellaneous expenses of the Issuer denominated in Sterling. Amounts standing to the credit of the Sterling Expense Account may be invested in Eligible Investments having a maturity date no later than the last Business Day of the Due Period in which such Eligible Investment was acquired.

Initial Proceeds Account

On the Issue Date, an amount equal to the amount determined by the Collateral Manager on the Issue Date to be sufficient to purchase those Collateral Debt Securities during the Ramp-Up Period (other than Sterling Collateral Debt Securities) which were not purchased on or prior to the Issue Date shall be paid into the Initial Proceeds Account to be applied in the acquisition of Collateral Debt Securities during the Ramp-Up Period. To the extent that amounts standing to the credit of the Euro Expense Account or Sterling Expense Account are insufficient, amounts may be withdrawn from the Initial Proceeds Account to pay all amounts due by the Issuer in respect of actions taken on or in connection with the Issue Date with respect to the issue of the Notes. Upon receipt by the Collateral Manager, within 30 days after the Target Date, of confirmation by the Rating Agencies that none of the ratings assigned by them respectively to any of the Senior Notes and the other Rated Notes on the Issue Date have been reduced or withdrawn (or in the event that any such ratings have been reduced or withdrawn, confirmation that such ratings have been reinstated), all amounts standing to the credit of the Initial Proceeds Account may be designated for reinvestment by the Collateral Manager and transferred to the Additional Collateral Account. If no such confirmation is received on the Determination Date prior to the next following Payment Date, all amounts standing to the credit of the Initial Proceeds Account will be transferred to the Principal Collection Account for application in redemption of the Notes. See Condition 7(c)(ii) (*Redemption Following Target Date Rating Downgrade*) above. Any net proceeds of issue of the Notes remaining on the Issue Date which are not required in settlement of agreements to purchase Collateral Debt Securities entered into on or prior to the Issue Date, to pay various fees and expenses and to deposit an amount of €50,000 or £20,000 or such lesser amount as determined by the Collateral Manager in the Euro Expense Account or Sterling Expense Account or to pay certain amounts due under the relevant Initial Hedge Agreement will be paid into the Initial Proceeds Account on the Issue Date.

Prior to the end of the Ramp-Up Period, each Euro Drawing under the Class A1A Notes shall be credited to the Initial Proceeds Account and applied in the purchase of Additional Collateral Debt Securities as described under "*Description of the Portfolio*". After the end of the Ramp-Up Period and during the remainder of the Reinvestment Period, Euro drawings under the Class A1A Notes shall be credited to the Additional Collateral Account if drawn in Euro and the Sterling Additional Collateral Account if drawn in Sterling. See "*Additional Collateral Account*" and "*Sterling Additional Collateral Account*" below.

Collateral Enhancement Account

The Issuer shall procure that, on each Payment Date, all amounts of interest payable in respect of the Class N Notes which the Collateral Manager determines at its discretion shall be applied in payment to the Collateral Enhancement Account pursuant to Condition 3(c)(i)(HH) are paid into the Collateral Enhancement Account.

Amounts standing to the credit of the Collateral Enhancement Account may be applied, at any time, by the Collateral Manager, acting on behalf of the Issuer, in the acquisition of or exercise of rights under Collateral Enhancement Securities in accordance with the Collateral Management Agreement or in the payment of interest on the Class N Notes in accordance with Condition 6(f) (*Interest on the Class N Notes*).

Prior to enforcement, amounts standing to the credit of the Collateral Enhancement Account will not be transferred to the Euro Payment Account or, as the case may be, the Sterling Payment Account for application on any Payment Date in accordance with the Priorities of Payment.

Additional Collateral Account

The Issuer shall procure that, on each Payment Date, the amount designated by the Collateral Manager on the preceding Determination Date is transferred to the Additional Collateral Account. Payment may be made

out of such account to purchase Additional Collateral Debt Securities denominated in Euro or Non-Euro Collateral Debt Security the subject of an Asset Swap Transaction. In addition, after the end of the Ramp-Up Period, all drawings under the Class A1A Notes will be credited to the Additional Collateral Account if drawn in Euro.

Sterling Additional Collateral Account

The Issuer shall procure that, on each Payment Date, the amount designated by the Collateral Manager on the preceding Determination Date is transferred to the Sterling Additional Collateral Account. Payment may be made out of such account to purchase Additional Collateral Debt Securities denominated in Sterling. In addition, during and after the end of the Ramp-Up Period, all drawings under the Class A1A Notes will be credited to the Sterling Additional Collateral Account if drawn in Sterling.

Euro Payment Account

The Issuer shall procure that all amounts required to be disbursed out of amounts credited to the Interest Collection Account, Principal Collection Account and Euro Principal Reserve Account on a Payment Date are credited to the Euro Payment Account on the Business Day preceding the relevant Payment Date and all sums standing to the credit of the Euro Payment Account shall be disbursed in accordance with the Priorities of Payment.

Sterling Payment Account

The Issuer shall procure that all amounts required to be disbursed out of amounts credited to the Sterling Interest Account and Sterling Principal Account on a Payment Date are credited to the Sterling Payment Account on the Business Day preceding the relevant Payment Date and all sums standing to the credit of the Sterling Payment Account shall be disbursed in accordance with the Priorities of Payment.

The Euro Liquidity Payment Account

The Issuer shall procure that all Euro Interest Proceeds (up to an amount equal to the outstanding principal amount of any Liquidity Drawings denominated in Euro and accrued interest thereon and any other amounts in respect thereof either between Payment Dates or on the next Payment Date as calculated under the Liquidity Facility Agreement) are paid directly into the Euro Liquidity Payment Account promptly upon receipt thereof.

The Issuer shall procure that on any date, other than a Payment Date, on which it elects to make a payment (in whole or in part) in respect of the outstanding principal amount of the Liquidity Drawing denominated in Euro and the accrued interest thereon, an amount up to the balance standing to the credit of the Euro Liquidity Payment Account on such date be withdrawn and paid directly to the Liquidity Facility Provider or where a stand-by drawing is outstanding, to the Stand-by Liquidity Account, *provided* that:

(a) no Enforcement Notice has been given;

(b) no event of default has occurred and is continuing under the Liquidity Facility Agreement; and

(c) the Issuer has outstanding liabilities denominated in Euro due to the Liquidity Facility Provider under the Liquidity Facility Agreement (including all accrued interest) and the amount withdrawn under the Liquidity Payment Account on such date will not exceed such outstanding liabilities of the Issuer due under the Liquidity Facility Agreement.

After the occurrence of an Issuer Event of Default the Issuer shall transfer all amounts standing to the credit of the Euro Liquidity Payment Account to the Euro Payment Account.

The Sterling Liquidity Payment Account

The Issuer shall procure that all Sterling Interest Proceeds (up to an amount equal to the outstanding principal amount of any Liquidity Drawings, denominated in Sterling and accrued interest thereon and any other amounts in respect thereof either between Payment Dates or on the next Payment Date as calculated under the Liquidity Facility Agreement) are paid directly into the Sterling Liquidity Payment Account promptly upon receipt thereof.

The Issuer shall procure that on any date, other than a Payment Date, on which it elects to make a payment (in whole or in part) in respect of the outstanding principal amount of the Liquidity Drawing denominated in Sterling and the accrued interest thereon, an amount up to the balance standing to the credit of the Sterling Liquidity Payment Account on such date be withdrawn and paid directly to the Liquidity Facility Provider or where a stand-by liquidity account denominated in Sterling is established and a stand-by drawing is outstanding, to such stand-by liquidity account, *provided* that:

(a) no Enforcement Notice has been given;

(b) no event of default has occurred and is continuing under the Liquidity Facility Agreement; and

(c) the Issuer has outstanding liabilities denominated in Sterling due to the Liquidity Facility Provider under the Liquidity Facility Agreement (including all accrued interest) and the amount withdrawn under the Liquidity Payment Account on such date will not exceed such outstanding liabilities of the Issuer due under the Liquidity Facility Agreement.

After the occurrence of an Issuer Event of Default the Issuer shall transfer all amounts standing to the credit of the Sterling Liquidity Payment Account to the Sterling Payment Account.

The Stand-by Liquidity Account

The Issuer shall procure that if at any time the Liquidity Facility Provider's rating falls below a short term senior unsecured debt rating of at least "F1" by Fitch and "A-1" by S&P, and the Liquidity Facility Provider elects to pay the Issuer the undrawn commitment under the Liquidity Facility that such undrawn commitment will be paid into the Stand-by Liquidity Account. In addition, the Issuer shall procure that any Non-Extension Drawing made under the Liquidity Facility is paid into the Stand-by Liquidity Account.

The Issuer shall procure that the amounts standing to the credit of the Stand-by Liquidity Account are only utilised for the purposes stated in the Liquidity Facility Agreement and the amount drawn from the Stand-by Liquidity Account on the relevant drawdown date in accordance with the Liquidity Facility Agreement shall be transferred into the Interest Collection Account or as the case may be the Sterling Interest Account. The Issuer shall procure that such amounts repaid on a date, other than a Payment Date, on which it elects to make a payment in respect of any outstanding stand-by drawings shall be from amounts transferred from the Euro Liquidity Payment Account into the Stand-by Liquidity Account and, shall be applied in accordance with the Liquidity Facility Agreement. The Issuer shall procure the repayment of the amount standing to the credit of the Stand-by Liquidity Account to the Liquidity Facility Provider as and when such amount is to be paid under the Liquidity Facility Agreement. In addition, the Collateral Administrator shall on behalf of the Issuer invest the amounts not required to be utilised in the Stand-by Liquidity Account from time to time in Eligible Investments if directed to do so by the Liquidity Facility Provider in accordance with the provisions of the Liquidity Facility Agreement.

Where a drawing under the Liquidity Facility Agreement is required to be made in Sterling, the Issuer shall withdraw a sufficient amount of Euro from the Stand-by Liquidity Account for such drawing and shall enter into a forward agreement with a Hedge Counterparty to acquire the same amount of Euro withdrawn from the Stand-by Liquidity Account on the next Payment Date. The Euro amounts received by the Issuer pursuant to the forward agreement shall be deposited into the Stand-by Liquidity Account on the relevant Payment Date.

All interest accrued on the amounts standing to the credit of the Stand-by Liquidity Account from time to time shall be to the credit of the Issuer and shall remain in the Stand-by Liquidity Account and used to pay interest on the Stand-by Liquidity Drawing in accordance with the provisions of the Liquidity Facility Agreement.

Following the occurrence of an Issuer Event of Default, all amounts standing to the credit of the Stand-by Liquidity Account shall be transferred to the Liquidity Facility Provider.

The Euro Principal Reserve Account

The Issuer will, or shall procure that the Collateral Administrator will credit any Sterling Principal Proceeds (converted into Euro) and Euro Principal Proceeds specified in Condition 3(c)(v) (*FX Conversion*) to be credited to the Euro Principal Reserve Account into the Euro Principal Reserve Account and will use such funds in accordance with Condition 3(c) (*Priorities of Payments*).

The Securities Lending Account

The Issuer shall procure that all Securities Lending Collateral is paid into subaccounts (each relating to individual Securities Lending Counterparties) within the Securities Lending Account promptly upon receipt thereof. Such funds will not be included as Collateral for the purposes of making any determination based on the composition or aggregate principal amount of the Collateral nor will such funds be available to make payments of interest or principal to the holders of the Notes.

The Issuer shall procure payment (and shall ensure that payment of no other amount is made) out of the Securities Lending Account:

(a) upon the occurrence of an event of default under a Securities Lending Agreement, of funds from the related subaccount of the Securities Lending Account in an amount agreed in the related Securities Lending Agreement, to the Principal Collection Account or Sterling Principal Account;

(b) to the Securities Lending Counterparty to the extent required under the Securities Lending Agreement from time to time; and

(c) of all interest accrued on the Securities Lending Account to the Interest Collection Account or the Sterling Interest Account (other than amounts payable pursuant to paragraph (b) above).

The Stand-by Account

The Issuer shall procure the establishment of any Stand-by Account whenever it or the Collateral Administrator is notified by the Capital Commitment Registrar that a Stand-by Account is required to be set up pursuant to the Class A1A Note Purchase Agreement and the Issuer will procure that any Stand-by Account if established will be operated in accordance with the provisions of the Class A1A Note Purchase Agreement.

The Currency Account(s)

The Issuer shall procure that Currency Account denominated in the required currency are established with the Account Bank whenever the Issuer acquires a Non-Euro Collateral Debt Security denominated in a currency for which there is no corresponding Currency Account denominated in such currency. The Issuer shall procure that all non-Euro amounts received by it pursuant to any Non-Euro Collateral Debt Securities are paid into the Currency Account denominated in the same non-Euro currency pending payment of such non-Euro amount by the Issuer to a Hedge Counterparty pursuant to a related Asset Swap Transaction. The Issuer will arrange for all amounts required to be paid by it to a Hedge Counterparty with respect to a Non-Euro Collateral Debt Security pursuant to an Asset Swap Transaction to be withdrawn from the relevant Currency Account and paid to the Hedge Counterparty.

Transfer upon Downgrade

In the event that the short term senior unsecured and unsubordinated rating of the Account Bank falls below a rating of "F1" by Fitch or "A-1+" by S&P, then the Account Bank shall within 30 days of such downgrade transfer all of the funds standing to the credit of the Accounts to such other bank whose short term senior unsecured and unsubordinated rating is rated "F1" by Fitch and "A-1+" by S&P.

TAX CONSIDERATIONS

General

The following is a summary, based upon present law, of certain Dutch, German, United Kingdom and U.S. federal income tax considerations for prospective purchasers of the Notes. The discussion does not consider the circumstances of particular purchasers, some of which (such as banks, insurance companies, dealers, traders, financial institutions, real estate investment trusts, regulated investment companies, grantor trusts, tax exempt organisations or persons holding the Notes as part of a hedge, straddle, conversion, integrated transaction or constructive sale transaction with other investments) are subject to special tax regimes. The discussion is a general summary; it is not a substitute for tax advice.

EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES UNDER THE LAWS OF THE NETHERLANDS, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS, AND ANY OTHER JURISDICTIONS WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

Purchasers of Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price of each Note.

Potential purchasers who are in any doubt about their tax position on purchase, ownership, transfer or exercise of any rights in respect of any Note should consult their own tax advisers. **In particular, no representation is made as to the manner in which payments under the Notes would be characterised by any relevant taxing authority.**

Taxation of The Netherlands

The comments below are of a general nature based on taxation law and practice in The Netherlands as at the date of this Prospectus and are subject to any changes therein. They relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes and so should be treated with appropriate caution. In particular, it does not take into consideration any tax implications that may arise on a substitution of the Issuer. Prospective investors should consult their own professional advisors concerning the possible tax consequences of purchasing, holding and/or selling Notes and receiving payments of interest, principal and/or other amounts under the Notes under the applicable laws of their country of citizenship, residence or domicile.

Under the existing laws of The Netherlands:

(a) all payments of interest and principal by the Issuer under the Notes can be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld, or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein;

(b) a holder of a Note who derives income from a Note or who realises a gain on the disposal or redemption of a Note will not be subject to Dutch taxation on such income or capital gain, unless:

  (i) the holder is, or is deemed to be, resident in The Netherlands or, where the holder is an individual, such holder has elected to be treated as a resident of The Netherlands; or

  (ii) such income or gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands; or

  (iii) the holder is an individual and such income or gain qualifies as income from activities that exceed normal active portfolio management in The Netherlands;

(c) Dutch gift, estate or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder unless:

  (i) the holder is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance or as a gift made by or on behalf of a person who, at the time of the gift or death, is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or

(iii) such Note is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment or a permanent representative in The Netherlands;

(d) there is no Dutch registration tax, stamp duty or any other similar tax or duty payable in The Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of The Netherlands) of the Notes or the performance of the Issuer's obligations under the Notes;

(e) there is no Dutch value added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of a Note, *provided* that Dutch value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Dutch value added tax purposes such services are rendered, or are deemed to be rendered, in The Netherlands and an exemption from Dutch value added tax does not apply with respect to such services; and

(f) a holder of a Note will not be treated as a resident of The Netherlands by reason only of the holding of a Note or the execution, performance, delivery and/or enforcement of the Notes.

United States Federal Income Taxation

General

The following discussion summarises certain of the material U.S. federal income tax consequences of the purchase, beneficial ownership, and disposition of the Notes.

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of a Note that is:

- an individual who is a citizen or a resident of the United States, for U.S. federal income tax purposes;
- a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organised in or under the laws of the United States or any State thereof (including the District of Columbia);
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons have the authority to control all of its substantial decisions.

For purposes of this summary, a "**Non-U.S. Holder**" is a beneficial owner of a Note that is:

- a non-resident alien individual for U.S. federal income tax purposes;
- a foreign corporation for U.S. federal income tax purposes;
- an estate whose income is not subject to U.S. federal income tax on a net income basis; or
- a trust if no court within the United States is able to exercise primary jurisdiction over its administration or if no United States persons have the authority to control all of its substantial decisions.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States for U.S. federal income tax purposes by reason of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year).

This summary is based on interpretations of the Internal Revenue Code of 1986, as amended (the "**Code**"), regulations issued thereunder, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the federal income tax consequences described herein. This summary addresses only holders that purchase Notes at initial issuance and beneficially own such Notes as capital assets and not as part of a "**straddle**," "**hedge**," "**synthetic security**" or a "**conversion transaction**" for federal income tax purposes, or as part of some other integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular investors or to investors subject to special treatment under the federal income tax laws (such as banks, thrifts, or other financial institutions; insurance companies; securities dealers or brokers, or traders in securities electing mark-to-market treatment; mutual funds or real estate investment trusts; small business investment companies; S corporations; investors that hold their Notes through a partnership or other entity treated as a partnership for U.S. federal income tax purposes; investors whose functional currency is not the U.S. dollar; certain former citizens or residents of the United States; persons subject to the alternative minimum tax; retirement plans or other tax-exempt entities, or persons holding the Notes in tax-deferred or tax-advantaged accounts; or "**controlled foreign corporations**" or a "**passive foreign investment companies**" for U.S. federal income tax purposes). This summary also does not address the tax consequences to shareholders, or other equity holders in, or beneficiaries of, a holder, or any state, local or foreign tax consequences of the purchase, ownership or disposition of the Notes.

The following summary was not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. The following summary was written in connection with the promotion or marketing by the Issuer and/or the Initial Purchaser of the Notes.

PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES, AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION TO WHICH THEY MAY BE SUBJECT.

U.S. Federal Tax Treatment of the Issuer

The Code provides a specific exemption from U.S. federal income tax on a net income basis for foreign corporations which restrict their activities in the United States to trading in stocks and securities (and any other activity closely related thereto) 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 foreign corporations that are engaged in activities in the United States other than trading in stocks and securities (and any other activity closely related thereto) for their own account or that are dealers in stocks and securities.

The Issuer intends to rely on the above exemption and does not intend to operate so as to be subject to U.S. federal income tax on its net income. However, if it were determined that the Issuer were engaged in a trade or business in the United States for federal income tax purposes, and the Issuer had taxable income that was effectively connected with such U.S. trade or business, the Issuer would be subject under the Code to the regular U.S. corporate income tax on such effectively connected taxable income (and possibly to a 30 per cent. branch profits tax as well). The balance of this summary assumes that the Issuer is not subject to U.S. federal income tax on its net income. The imposition of such a tax liability would materially affect the Issuer's financial ability to repay the Notes.

U.S. Federal Tax Treatment of U.S. Holders of the Senior Notes, the Class B Notes, the Class C Notes, the Class D Notes, and the Class E Notes

The Principal Amount Outstanding of Class A1A Notes, the Class A1B Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, and the Class D Notes will be treated as indebtedness for U.S. federal income tax purposes and the Issuer intends to take the position that the Class E Notes are treated as indebtedness for U.S. federal, state, and local income and franchise tax purposes. The Trust Deed requires the Holders to agree to take the position that the Class A1A Notes, the Class A1B Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes constitute indebtedness for U.S. federal, state and local income and franchise tax purposes. The Issuer's characterisations will be binding on U.S. Holders. Nevertheless, the IRS could assert, and a court could ultimately hold, that one or more classes of these Notes are equity in the Issuer. If any of these Notes are treated as equity in, rather than debt of, the Issuer for U.S. federal income tax purposes, there may be adverse tax consequences to any U.S. Holder of such Notes. Except as otherwise indicated, the balance of this summary assumes that all of these Notes are treated as debt of the Issuer

for U.S. federal, state and local income and franchise tax purposes. In the event such Notes are treated as equity in the Issuer, prospective investors in these Notes should consult their tax advisors regarding the U.S. federal, state and local income and franchise tax consequences to these Notes and the Issuer.

For U.S. federal income tax purposes, the Issuer will be treated as the issuer of the Notes.

U.S. Federal Tax Treatment of U.S. Holders of the Senior Notes

Stated Interest. U.S. Holders of the Senior Notes that use the cash method of accounting and receive a payment of interest on a Note denominated in euros will be required to include in gross income the U.S. dollar value of the payment in euros on the date the payment is received (based on the U.S. dollar spot rate for the euros on the date the payment is received). No exchange gain or loss will be recognised with respect to the payment.

U.S. Holders of the Senior Notes that use the accrual method of accounting or that otherwise are 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 during the Interest Accrual Period. The U.S. dollar value of the accrued interest will be determined by translating the interest income at the average U.S. dollar exchange rate for euros in effect during the Interest Accrual Period or, with respect to an Interest Accrual Period that spans two taxable years, the partial period within the taxable year. A U.S. Holder may, however, elect to translate the accrued interest income using the U.S. dollar spot rate for euros on the last day of the Interest Accrual Period or, with respect to an accrual period that spans two taxable years, on the last day of the taxable year. However, if the last day of an Interest Accrual Period is within five business days of the receipt of accrued interest, the interest may be translated at the U.S. dollar spot rate on the date of receipt. If a U.S. Holder makes the election, it must be applied consistently to all of the U.S. Holder's debt instruments and may not be changed without the consent of the IRS.

An accrual basis U.S. Holder will recognise exchange gain or loss with respect to accrued interest income on the date the payment of the income is received in an amount equal to the difference, if any, between the U.S. dollar value of the payment in euros on the date received (based on the U.S. dollar spot rate for euros on the date received) and the U.S. dollar value of the accrued interest income inclusion (computed as determined above). Any exchange gain or loss will generally be treated as U.S. source ordinary income or loss.

Commitment Fee. U.S. Holders of Class A1A Notes that use the cash method of accounting and receive a payment of a Commitment Fee denominated in euro will be required to include in gross income the U.S. dollar value of the payment in euros on the date the payment is received (based on the U.S. dollar spot rate for the euros on the date the payment is received). No exchange gain or loss will be recognised with respect to the payment.

U.S. Holders of the Class A1A Notes that use the accrual method of accounting, or that otherwise are required to accrue a Commitment Fee prior to receipt, will be required to include in gross income the U.S. dollar value of the amount of the Commitment Fee that has accrued during the Interest Accrual Period. The U.S. dollar value of the accrued Commitment Fee will be determined by translating the Commitment Fee at the average U.S. dollar exchange rate for euros in effect during the Interest Accrual Period.

An accrual basis U.S. Holder will recognise exchange gain or loss with respect to the accrued Commitment Fee on the date the payment of the Commitment Fee is received in an amount equal to the difference, if any, between the U.S. dollar value of the payment in euros on the date received (based on the U.S. dollar spot rate for euros on the date received) and the U.S. dollar value of the accrued Commitment Fee (computed as determined above). Any exchange gain or loss will generally be treated as U.S. source ordinary income or loss.

U.S. Holders of the Class A1A Notes will include in gross income payable payments of the Commitment Fee accrued or received on the Class A1A Notes in accordance with their usual method of tax accounting.

Sale, Exchange and Retirement of the Senior Notes. A U.S. Holder of a Senior Note will, in general, have a basis in their Note equal to the U.S. dollar value of the euros paid (based on the U.S. dollar spot rate for euros on the date of acquisition) reduced by the U.S. dollar value of any payments of principal received (based on the U.S. dollar spot rate for euros on the date received). Upon a sale, exchange, or retirement of a Senior Note, a U.S. Holder will generally recognise gain or loss equal to the difference between the U.S. dollar value of the euros received on the date of sale, exchange or retirement (less any accrued and unpaid interest, which will be taxable as described above) and the holder's adjusted tax basis in such Note.

A U.S. Holder of a Senior Note will recognise exchange gain or loss with respect to principal in an amount equal to the difference between (i) the U.S. dollar value of the principal payment (based on the spot rate for euros on the date of sale, exchange, retirement, or receipt of a principal payment), and (ii) the U.S. dollar value of the euros paid for the Note (or the amount attributable to a principal payment) translated at the spot rate on the date the Note was acquired. Exchange gain or loss is realised only to the extent of total gain or loss on the transaction, and is generally treated as U.S. source ordinary income or loss. Gain or loss in excess of exchange gain or loss will be capital gain or loss and will be long term capital gain or loss if the U.S. Holder held the Note for more than one year at the time of disposition. In certain circumstances, U.S. Holders that are individuals may be entitled to preferential treatment for net long term capital gains; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

U.S. Federal Tax Treatment of U.S. Holders of the Class B Notes, Class C Notes, Class D Notes, and Class E Notes

Original Issue Discount. The Issuer will treat the Class B Notes, Class C Notes, Class D Notes and Class E Notes as issued with original issue discount ("**OID**") for U.S. federal income tax purposes. The total amount of such discount with respect to a Class B Note, Class C Note, Class D Note or Class E Note will equal the sum of all payments to be received under such Note less its issue price (the first price at which a substantial amount of the Class B Notes, Class C Notes, Class D Notes or Class E Notes were sold to investors). A U.S. Holder of a Class B Note, Class C Note, Class D Note or Class E Note will be required to include the U.S. dollar value of OID in income as it accrues. The U.S. dollar value of the accrued OID income will be determined by translating the OID at the average U.S. dollar exchange rate for euros in effect during the Interest Accrual Period or, with respect to an Interest Accrual Period that spans two taxable years, the partial period within the taxable year. A U.S. Holder may, however, elect to translate the accrued OID income using the U.S. dollar spot rate for euros on the last day of the Interest Accrual Period or, with respect to an accrual period that spans two taxable years, on the last day of the taxable year. However, if the last day of an Interest Accrual Period is within five business days of the receipt of accrued OID income, the OID income may be translated at the U.S. dollar spot rate on the date of receipt. If a U.S. Holder makes the election, it must be applied consistently to all of the U.S. Holder's debt instruments and may not be changed without the consent of the IRS.

The amount of OID accruing in any accrual period will generally equal the stated interest accruing in that period (whether or not currently due) plus any additional amount representing the accrual under a constant yield method of any additional OID represented by the excess of the principal amount of the Class B Notes, the Class C Notes, the Class D Notes or Class E Notes over their issue price. Accruals of any such additional OID will be based on the weighted average life of the Class B Notes, Class C Notes, Class D Notes or Class E Notes rather than their stated maturity. It is possible the IRS could assert and a court could ultimately hold that some other method of accruing OID on the Class B Notes, Class C Notes, Class D Notes and/or Class E Notes should apply. U.S. Holders of the Class B Notes, Class C Notes, Class D Notes and/or Class E Notes may be required to include OID in advance of the receipt of cash attributable to such income. Accruals of OID will be calculated by assuming that interest will be paid over the life of the Class B Notes, Class C Notes, Class D Notes and Class E Notes based on the value of EURIBOR used in setting interest for the first Payment Date, and then adjusting the accrual for each subsequent Payment Date based on the difference between the value of EURIBOR used in setting interest for that subsequent Payment Date and the assumed rate.

A U.S. Holder will recognise exchange gain or loss with respect to OID income on the date the payment of OID is received in an amount equal to the difference, if any, between the U.S. dollar value of the payment with respect to the OID income (based on the U.S. dollar spot rate for euros on the date received) and the U.S. dollar value of the accrued OID income (computed as determined above). Any exchange gain or loss will generally be treated as U.S. source ordinary income or loss.

Sale, Exchange and Retirement of the Class B Notes, Class C Notes, Class D Notes and Class E Notes. In general, a U.S. Holder of a Class B Note, Class C Note, Class D Note or Class E Note will have a basis in their Note equal to the U.S. dollar value of the euros paid for their Note (based on the U.S. dollar spot rate for euros on the date their Note was acquired) (i) increased by any amount includable in income by such U.S. Holder as OID (as described above), and (ii) reduced by the U.S. dollar value of any payments received on the Note (based on the U.S. dollar spot rate for euros on the date received). Upon a sale, exchange, or retirement of a Class B Note, Class C Note, Class D Note or Class E Note, a U.S. Holder will generally recognise gain or loss equal to the difference between the U.S. dollar value of the euros received on the date of sale, exchange or retirement and the holder's adjusted tax basis in such Note.

A U.S. Holder of a Class B Note, Class C Note, Class D Note or Class E Note will recognise exchange gain or loss with respect to principal in an amount equal to the difference between (i) the amount of euros received translated into U.S. dollars at the spot rate on the date of sale, exchange, retirement or receipt of a principal payment, and (ii) the amount of euros paid for the Note (or the amount attributable to a principal payment) translated at the spot rate on the date the Note was acquired. Exchange gain or loss is realised only to the extent of total gain or loss on the transaction, and is generally treated as U.S. source ordinary income or loss.

Gain or loss in excess of exchange gain or loss will be capital gain or loss and will be long term capital gain or loss if the U.S. Holder held the Note for more than one year at the time of disposition. In certain circumstances, U.S. Holders that are individuals may be entitled to preferential treatment for net long term capital gains; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

Alternate Characterisations. It is possible that the Class B Notes, Class C Notes, Class D Notes and/or Class E Notes could be treated as "contingent payment debt instruments" for federal income tax purposes. In this event, the timing of a U.S. Holder's OID inclusions could differ from that described above and any gain recognised on the sale, exchange, or retirement of such Notes would be treated as ordinary income and not capital gain.

Receipt of Euros

Euros received as payment on a Senior Note, a Class B Note, a Class C Note, a Class D Note or a Class E Note or on a sale, exchange or retirement of a Senior Note, a Class B Note, a Class C Note, a Class D Note or a Class E Note will have a tax basis equal to its U.S. dollar value at the time such payment is received or at the time of such sale, exchange or retirement, as the case may be. Any exchange gain or loss recognised on a sale or exchange of the euros will generally be U.S. source ordinary income or loss.

U.S. Federal Tax Treatment of Tax Exempt U.S. Holders of Senior Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes

U.S. Holders that are tax exempt entities should not be subject to the tax on unrelated business taxable income in respect of the Senior Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes unless (i) these Notes constitute "**debt financed property**" (as defined in the Code) of that entity or (ii) in the case of any of these Notes that are treated as indebtedness for federal income tax purposes, such entity also owns more than 50 per cent. of the Class N Notes and any Senior Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes that are treated as equity in the Issuer for U.S. federal income tax purposes.

U.S. Federal Tax Treatment of Non-U.S. Holders of Senior Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes

In general, payments on the Senior Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes to a Non-U.S. Holder and gain realised on the sale, exchange or retirement of the Senior Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes by a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax, unless (i) such income is effectively connected with a trade or business conducted by such Non-U.S. Holder in the United States, or (ii) in the case of gain, such Non-U.S. Holder is a non-resident alien individual who holds the Senior Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale and certain other conditions are satisfied.

U.S. Federal Tax Treatment of U.S. Holders of Class N Notes

The Issuer intends to take the position that the Class N Notes constitute equity interests in the Issuer for U.S. federal, state and local income and franchise tax purposes, and each holder of a Class N Note by purchase of their Class N Note will agree to take this position for U.S. federal, state and local income and franchise tax purposes, and the balance of this summary assumes that the Class N Notes are so treated.

Investment in a Passive Foreign Investment Company. The Issuer will constitute a "passive foreign investment company" (a "**PFIC**") for federal income tax purposes, and U.S. Holders of the Class N Notes (other than certain U.S. Holders that are subject to the rules pertaining to a "*controlled foreign corporation*," described below) will be considered shareholders in a PFIC. U.S. Holders may desire to make an election to treat the Issuer as a "qualified electing fund" (a "**QEF**") with respect to such U.S. Holder. Generally, a U.S. Holder makes a QEF election on IRS Form 8621, attaching a copy of such form to its U.S. federal income tax return for

the first taxable year for which it held its Class N Notes. If a U.S. Holder makes a timely QEF election with respect to the Issuer, the electing U.S. Holder will be required in each taxable year to include in gross income (i) as ordinary income, such U.S. Holder's *pro rata* share of the Issuer's ordinary earnings, translated into U.S. dollars based on the average exchange rate for the Issuer's taxable year and (ii) as long term capital gain, such U.S. Holder's *pro rata* share of the Issuer's net capital gain, translated into U.S. dollars based on the average exchange rate for the Issuer's taxable year, whether or not distributed. A U.S. Holder will not be eligible for the dividends received deduction in respect of such income or gain or the preferential rate allowed to individuals for dividends from U.S. and certain foreign corporations. In addition, any losses of the Issuer in a taxable year will not be available to such U.S. Holder and may not be carried back or forward in computing the Issuer's ordinary earnings and net capital gain in other taxable years. If applicable, the rules pertaining to a "controlled foreign corporation", discussed below, generally override those pertaining to a PFIC with respect to which a QEF election is in effect.

In certain cases in which a QEF does not distribute all of its earnings in a taxable year, the electing U.S. Holder may also be permitted to elect to defer payment of some or all of the taxes on the QEF's income, subject to a non-deductible interest charge on the deferred amount. In this respect, prospective purchasers of Class N Notes should be aware that it is expected that the Collateral Debt Obligations will include high yield debt obligations and such instruments may have substantial OID, the cash payment of which may be deferred, perhaps for a substantial period of time. In addition, the Issuer may use proceeds from the sale of Collateral Debt Obligations to purchase other Collateral Debt Obligations or to retire other classes of Notes. As a result, in any given year, the Issuer may have substantial amounts of earnings for U.S. federal income tax purposes that are not distributed on the Class N Notes. Thus, absent an election to defer payment of taxes, U.S. Holders that make a QEF election with respect to the Issuer may owe tax on significant "phantom" income. The Issuer will provide, upon request, all information and documentation that a U.S. Holder making a QEF election is required to obtain for U.S. federal income tax purposes.

A U.S. Holder of a Class N Note (other than certain U.S. Holders that are subject to the rules pertaining to a "controlled foreign corporation," described below) that does not make a timely QEF election will be required to report any gain on the disposition of any Class N Notes entirely as ordinary income and to compute the tax liability on such gain and any "**Excess Distribution**" (as defined below) received in respect of the Class N Notes as if such items had been earned rateably over each day in the U.S. Holder's holding period (or a certain portion thereof) for the Class N Notes. An "**Excess Distribution**" is the amount by which distributions during a taxable year in respect of a Class N Note, translated into U.S. dollars at the spot rate on the date received, exceed 125 per cent. of the average amount of distributions in respect thereof during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period for the Class N Note). The U.S. Holder will be subject to tax on such items at the highest ordinary income tax rate for each taxable year, other than the current year, in which the items were treated as having been earned, regardless of the rate otherwise applicable to the U.S. Holder. Further, such U.S. Holder will also be liable for a non-deductible interest charge as if such income tax liabilities had been due with respect to each such prior year. For purposes of these rules, gifts, exchanges pursuant to corporate reorganisations and use of the Class N Notes as security for a loan may be treated as a taxable disposition of such Class N Notes. In addition, a stepped up basis in the Class N Notes will not be available upon the death of an individual U.S. Holder.

In many cases, the U.S. federal income tax on any gain on disposition or receipt of Excess Distributions is likely to be substantially greater than the tax if a timely QEF election is made. **A U.S. HOLDER OF A CLASS N NOTE SHOULD CONSIDER CAREFULLY WHETHER TO MAKE A QEF ELECTION WITH RESPECT TO SUCH CLASS N NOTE.**

Investment in a Controlled Foreign Corporation. The Issuer will constitute a "controlled foreign corporation" ("**CFC**") if more than 50 per cent. of the equity interests in the Issuer, measured by reference to combined voting power or value, is owned directly, indirectly, or constructively by "**United States shareholders**." For this purpose, a United States shareholder is any United States person that possesses directly, indirectly, or constructively 10 per cent. or more of the combined voting power of all classes of equity in the Issuer. It is likely that the Class N Notes will be treated as voting securities. In this case, a U.S. Holder of Class N Notes possessing directly, indirectly, or constructively 10 per cent. or more of the sum of the aggregate outstanding principal amount of the voting Class N Notes of the Issuer would be treated as a United States shareholder. If more than 50 per cent. of the Class N Notes of the Issuer, determined with respect to aggregate value or aggregate outstanding principal amount, are owned directly, indirectly, or constructively by such United States shareholders, the Issuer would be treated as a CFC. If, for any given taxable year, the Issuer is treated as a CFC, a United States shareholder of the Issuer would be required to include as ordinary income an amount equal to that person's *pro rata* share of the Issuer's "subpart F income" at the end of such taxable year,

translated into U.S. dollars by reference to the average exchange rate for the taxable year of the Issuer. It is likely that, if the Issuer were to constitute a CFC, all of its income would be subpart F income.

If the Issuer is treated as a CFC and a U.S. Holder is treated as a United States shareholder of the Issuer, the Issuer would not be treated as a PFIC with respect to such U.S. Holder for the period during which the Issuer remains a CFC and such U.S. Holder remains a United States shareholder of the Issuer (the "**qualified portion**" of the U.S. Holder's holding period for the Class N Notes). As a result, to the extent the Issuer's subpart F income includes net capital gains, such gains would be treated as ordinary income to the United States shareholder under the CFC rules, notwithstanding the fact that the character of such gains generally would otherwise be preserved under the QEF rules. If the qualified portion of such U.S. Holder's holding period for the Class N Notes subsequently ceases (either because the Issuer ceases to be a CFC or the U.S. Holder ceases to be a United States shareholder), then solely for purposes of the PFIC rules, such U.S. Holder's holding period for the Class N Notes would be treated as beginning on the first day following the end of such qualified portion, unless the U.S. Holder had owned any Class N Notes for any period of time prior to such qualified portion and had not made a QEF election with respect to the Issuer. In that case, the Issuer would again be treated as a PFIC which is not a QEF with respect to such U.S. Holder and the beginning of such U.S. Holder's holding period for the Class N Notes would continue to be the date upon which such U.S. Holder acquired the Class N Notes, unless the U.S. Holder makes an election to recognise gain with respect to the Class N Notes and a QEF election with respect to the Issuer.

Indirect Interests in PFICs and CFCs. The Issuer intends to purchase only Collateral Debt Obligations that are treated by their issuers as indebtedness for U.S. federal income tax purposes. However, the treatment of certain of the Collateral Debt Obligations purchased by the Issuer as indebtedness is uncertain. If the Issuer owns an Collateral Debt Obligation issued by a foreign corporation that is treated as equity for federal income tax purposes, U.S. Holders of Class N Notes and any other Note that is treated as equity in the Issuer could be treated as owning an indirect equity interest in a PFIC or a CFC and could be subject to certain adverse tax consequences.

In particular, a U.S. Holder of an indirect equity interest in a PFIC is treated as owning the PFIC directly.

The U.S. Holder, and not the Issuer, would be required to make a QEF election with respect to each indirect interest in a PFIC. However, certain PFIC information statements are necessary for U.S. Holders that have made QEF elections, and there can be no assurance that the Issuer can obtain such statements from a PFIC, and thus there can be no assurance that a U.S. Holder will be able to make the election with respect to any indirectly held PFIC. Accordingly, if the U.S. Holder has not made a QEF election with respect to the indirectly-held PFIC, the U.S. Holder would be subject to the adverse consequences described above under "*—Investment in a Passive Foreign Investment Company*" with respect to any excess inclusions of such indirectly-held PFIC, any gain indirectly realised by such U.S. Holder on the sale by the Issuer of such PFIC, and any gain indirectly realised by such U.S. Holder on the sale by the U.S. Holder of its Notes (which may arise even if the U.S. Holder realises a loss on such sale). Moreover, if the U.S. Holder has made a QEF election with respect to the indirectly-held PFIC, the U.S. Holder would be required to include in income the U.S. Holder's *pro rata* share of the indirectly-owned PFIC's ordinary earnings and net capital gain, translated into U.S. dollars based on the average exchange rate for the indirectly-owned PFIC's taxable year, as if the indirectly-owned PFIC were owned directly, and the U.S. Holder would not be permitted to use any losses or other expenses of the Issuer to offset such ordinary earnings and/or net capital gains.

Accordingly, if any of the Collateral Debt Obligations are treated as equity interests in a PFIC, U.S. Holders could experience significant amounts of phantom income with respect to such interests. Other adverse tax consequences may arise for U.S. Holders that are treated as owning indirect interests in CFCs. U.S. Holders should consult their own tax advisors regarding the tax issues associated with such investments in light of their own individual circumstances.

Distributions on Class N Notes. The treatment of actual distributions on the Class N Notes, in very general terms, will vary depending on whether a U.S. Holder has made a timely QEF election (as described above). See "*—Investment in a Passive Foreign Investment Company*". If a timely QEF election has been made, distributions should be allocated first to amounts previously taxed pursuant to the QEF election (or pursuant to the CFC rules, if applicable) and to this extent will not be taxable to U.S. Holders. A U.S. Holder will recognise exchange gain or loss with respect to amounts previously taxed pursuant to the QEF election equal to the difference, if any, between the U.S. dollar value of the payment in euros on the date received (based on the U.S. dollar spot rate for euros on the date received) and the U.S. dollar value of the previously taxed amount. Any exchange gain or loss will generally be treated as U.S. source ordinary income or loss. The U.S. dollar value of

any distributions in excess of such previously taxed amounts, translated into U.S. dollars at the spot rate on the date received will be taxable to U.S. Holders as ordinary income upon receipt, to the extent of any remaining amounts of untaxed current and accumulated earnings and profits of the Issuer. The U.S. dollar value of any distributions in excess of previously taxed amounts, translated into U.S. dollars at the spot rate on the date received will be taxable to U.S. Holders as ordinary income upon receipt, to the extent of any remaining amounts of untaxed current and accumulated earnings and profits of the Issuer. The U.S. dollar value of distributions in excess of previously untaxed amounts and any remaining current and accumulated earnings and profits of the Issuer, translated into U.S. dollars at the spot rate on the date received will be treated first as a non-taxable return of capital and then as capital gain.

In the event that a U.S. Holder does not make a timely QEF election then, except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC rules, some or all of any distributions with respect to the Class N Notes may constitute Excess Distributions, taxable as previously described. See "*—Investment in a Passive Foreign Investment Company*".

Sale, Redemption, or other Disposition of Class N Notes. In general, a U.S. Holder of a Class N Note will have a basis in their Note equal to the U.S. dollar value of the euros paid (based on the U.S. dollar spot rate for euros on the date of purchase) increased by amounts taxable to such U.S. Holder by reason of a QEF election, or by reason of the CFC rules, as applicable (as described above), and decreased by the U.S. dollar value of actual distributions (based on the U.S. dollar spot rate for euros on the date of payment) from the Issuer that are deemed to consist of such previously taxed amounts or are treated as a non-taxable reduction to the U.S. Holder's tax basis for the Class N Note (as described above). Upon the sale, redemption or other disposition of a Class N Note a U.S. Holder will recognise gain or loss equal to the difference between the U.S. dollar value of the euros received on the date of sale, redemption or other disposition and such U.S. Holder's adjusted tax basis. Except as discussed below, such gain or loss will be capital gain or loss and will be long term capital gain or loss if the U.S. Holder held the Class N Note for more than one year at the time of the disposition. In certain circumstances, U.S. Holders who are individuals (or whose income is taxable to U.S. individuals) may be entitled to preferential treatment for net long term capital gains; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

A U.S. Holder will recognise exchange gain or loss on the sale, redemption, or other disposition of the Class N Notes with respect to previously taxed but undistributed amounts attributable to the Class N Notes. For purposes of determining the exchange gain or loss, any previously taxed but undistributed amounts attributable to the Class N Notes will be treated as distributed to the U.S. Holder immediately prior to the sale, redemption or other disposition. A U.S. Holder's exchange gain or loss is the difference, if any, between the U.S. dollar value of the deemed distribution (based on the U.S. dollar spot rate for euros on the date deemed distributed) and the U.S. dollar value of the previously taxed income (computed as determined above). Any exchange gain or loss will generally be treated as U.S. source ordinary income or loss.

If a U.S. Holder is subject to the PFIC rules and the U.S. Holder does not make a timely QEF election as described above, any gain realised on the sale, redemption, or other disposition of a Class N Note (or any gain deemed to accrue prior to the time a non-timely QEF election is made) will be taxed as ordinary income and subject to an additional tax reflecting a deemed interest charge under the special tax rules described above. See "*—Investment in a Passive Foreign Investment Company*".

If the Issuer is treated as a CFC and a U.S. Holder is treated as a "**United States shareholder**" therein, then any gain realised by such U.S. Holder upon the disposition of a Class N Note, other than gain subject to the PFIC rules, if applicable, would be treated as ordinary income to the extent of the U.S. Holder's *pro rata* share of the Issuer's current and accumulated earnings and profits. In this regard, earnings and profits would not include any amounts previously taxed pursuant to a timely QEF election or pursuant to the CFC rules.

Transfer Reporting Requirements. A U.S. Holder (including a tax exempt entity) that purchases the Class N Notes for cash would be required to file an IRS Form 926 or similar form with the IRS, if (i) such person is treated as owning, directly or by attribution, immediately after the transfer at least 10 per cent. by vote or value of the Issuer or (ii) if the amount of cash transferred by such person (or any related person) to the Issuer during the 12 month period ending on the date of such transfer, exceeds $100,000. A U.S. Holder that is treated as owning (actually or constructively) at least 10 per cent. by vote or value of the equity of the Issuer for U.S. federal income tax purposes may be required to file an information return on IRS Form 5471, and provide additional information regarding the Issuer annually on IRS Form 5471 if it is treated as owning (actually or constructively) more than 50 per cent. by vote or value of the equity of the Issuer for U.S. federal income tax purposes.

U.S. Holders should consult their tax advisors with respect to this or any other reporting requirement which may apply with respect to their acquisition or ownership of the Class N Notes.

Receipt of Euros

Euros received as payment on a Class N Note or on a sale, exchange or retirement of a Class N Note will have a tax basis equal to its U.S. dollar value at the time such payment is received or at the time of such sale, exchange or retirement, as the case may be. Any exchange gain or loss recognised on a sale or exchange of the euros will generally be U.S. source ordinary income or loss.

U.S. Federal Tax Treatment of Tax Exempt U.S. Holders of Class N Notes

U.S. Holders that are tax exempt entities should not be subject to the tax on unrelated business taxable income in respect of the Class N Notes unless the Class N Notes constitute "**debt financed property**" (as defined in the Code) of that entity.

U.S. Federal Tax Treatment of Non-U.S. Holders of Class N Notes

In general, payments on the Class N Notes to a Non-U.S. Holder and gain realised on the sale, exchange or retirement of the Class N Notes by a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax, unless (i) such income is effectively connected with a trade or business conducted by such Non-U.S. Holder in the United States, or (ii) in the case of gain, such Non-U.S. Holder is a non-resident alien individual who holds the Class N Notes as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale and certain other conditions are satisfied.

Information Reporting and Backup Withholding

Under certain circumstances, the Code requires "information reporting" annually to the IRS and to each holder, and "backup withholding" with respect to certain payments made on or with respect to the Notes. Backup withholding generally does not apply with respect to certain Holders, including corporations, tax exempt organisations, qualified pension and profit sharing trusts, and individual retirement accounts. Backup withholding will apply to a U.S. Holder only if the U.S. Holder (i) fails to furnish its Taxpayer Identification Number ("**TIN**") which, for an individual, would be his or her Social Security Number, (ii) furnishes an incorrect TIN, (iii) is notified by the IRS that it has failed to properly report payments of interest and dividends, or (iv) under certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. The application for exemption is available by providing a properly completed IRS Form W-9.

A Non-U.S. Holder that provides the applicable IRS Form W-8BEN or Form W-8IMY, together with all appropriate attachments, signed under penalties of perjury, identifying the Non-U.S. Holder and stating that the Non-U.S. Holder is not a United States person will not be subject to IRS reporting requirements and U.S. backup withholding.

The payment of the proceeds on the disposition of a Note by a holder to or through the U.S. office of a broker generally will be subject to information reporting and backup withholding unless the holder either certifies its status as a Non-U.S. Holder under penalties of perjury on the applicable IRS Form W-8BEN or Form W-8IMY (as described above) or otherwise establishes an exemption. The payment of the proceeds on the disposition of a Note by a Non-U.S. Holder or through a non-U.S. office of a non-U.S. broker will not be subject to backup withholding or information reporting unless the non-U.S. broker is a "**U.S. Related Person**" (as defined below). The payment of proceeds on the disposition of a Note by a Non-U.S. Holder to or through a non

U.S. office of a U.S. broker or a U.S. Related Person generally will not be subject to backup withholding but will be subject to information reporting unless the holder certifies its status as a Non-U.S. Holder under penalties of perjury or the broker has certain documentary evidence in its files as to the Non-U.S. Holder's foreign status and the broker has no actual knowledge to the contrary.

For this purpose, a "**U.S. Related Person**" is (i) a "controlled foreign corporation" for U.S. federal income tax purposes, (ii) a foreign person 50 per cent. or more of whose gross income from all sources for the three year period ending with the close of its taxable year preceding the payment (or for such part of the period that the

broker has been in existence) is derived from activities that are effectively connected with the conduct of a U.S. trade or business, or (iii) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50 per cent. of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a U.S. trade or business.

Backup withholding is not an additional tax and may be refunded (or credited against the holder's U.S. federal income tax liability, if any), *provided that* certain required information is furnished. The information reporting requirements may apply regardless of whether withholding is required. Copies of the information returns reporting such interest and withholding also may be made available to the tax authorities in the country in which a Non-U.S. Holder is a resident under the provisions of an applicable income tax treaty or agreement.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE TAX IMPLICATIONS OF AN INVESTMENT IN THE NOTES. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS PRIOR TO INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF EACH SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

German Taxation

The following information relating to German taxation is a general description of certain German tax considerations relating to the Notes and is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of the Notes. It is based upon German tax laws (including tax treaties) in effect and applied as of the date hereof, which are subject to change, potentially with retroactive effect. It should be read in conjunction with the section entitled "*Risk Factors—German Taxation of Noteholders*".

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences, under German tax laws and the tax laws of the country of which they are residents, of purchasing, holding and disposing of the Notes and receiving payments under the Notes.

German Investment Tax Act - General

The taxation of the Notes will in particular depend on whether or not a certain class of Notes is subject to the provisions of the German Investment Tax Act (the "**Investment Tax Act**").

There is currently legal uncertainty in the Federal Republic of Germany as to whether the Investment Tax Act would apply to certain classes of collateralised debt obligation ("**CDO**") notes and similar instruments. In particular, although the German Federal Ministry of Finance (*Bundesfinanzministerium — BMF*) issued the Decree, which should largely exclude CDO notes and similar instruments from the scope of the German Investment Tax Act, *provided* that the tests set out in the Decree are met, there is a risk as to the interpretation of such tests. Such tax risk particularly applies with respect to the Class N Notes. With respect to the Rated Notes, however, there exists a remote risk that the German tax authorities take a different view regarding the application of the Investment Tax Act.

Noteholders Subject to the Investment Tax Act

The Investment Tax Act applies to investors holding Notes that fall within the scope of the Investment Tax Act if:

(a) such Noteholder is resident in Germany for German tax purposes; or

(b) such Noteholder is not resident in Germany for German tax purposes but holds such Notes through a permanent establishment (or a permanent representative) in Germany; or

(c) such a Noteholder (other than a foreign credit institution or a foreign financial services institution) physically presents such Notes at the office of a "**German Disbursing Agent**", being a German credit institution or a German financial services institution each as defined in the German Banking Act (*Kreditwesengesetz*), including a German branch of a non-German credit institution or a non-German financial services institution, but excluding a non-German branch of a German credit institution or a German financial services institution (an "**over-the-counter-transaction**" (*Tafelgeschäft*)),

(all such Noteholders, together, the "**Noteholders Subject to the Investment Tax Act**").

Such application of the Investment Tax Act would have an adverse impact on the tax position of such Noteholders as the Issuer has made no arrangements to comply with certain reporting requirements under the Investment Tax Act (the "**Investment Tax Act Reporting Requirements**"). Consequently, any Noteholders Subject to the Investment Tax Act holding such Notes will in principle be subject to the adverse lump-sum taxation provisions of section 6 of the Investment Tax Act. In this case annually, the higher of (i) distributions on such Notes, the interim profit (*Zwischengewinn*) and 70 per cent. of the annual increase in the market price of such Notes and (ii) 6 per cent. of the market price at the end of every calendar year ("**Assumed Profits**") would be taxed.

Furthermore, in such case, withholding tax may be levied not only on the gross amount of payments received by the Noteholders Subject to the Investment Tax Act, but also on the aggregate amount of Assumed Profits.

Capital gains on the sale or partial or final redemption of the Notes are subject to income tax or corporate income tax and, as the case may be, trade tax in Germany.

If the Investment Tax Act applies, Noteholders will also be subject to tax in Germany on the interim profit (*Zwischengewinn*) upon redemption or disposal of the Notes. The interim profit represents, for example, interest accrued or received by an investment fund (within the meaning of the Investment Tax Act) but not yet distributed or attributed to the investors in the fund. The Issuer will not calculate and publish the interim profits. As a consequence, investors holding the Notes Subject to the Investment Tax Act will upon redemption or disposal of the Notes be subject to a special lump sum taxation, i.e. up to 6 per cent. of the consideration for the redemption or disposal of the Notes will be treated as taxable deemed interim profits.

Where Notes to which the Investment Tax Act would apply are kept in a custodial account maintained with a German Disbursing Agent, such German Disbursing Agent would be required to withhold tax at a rate of 30 per cent. (plus solidarity charge thereon at a rate of 5.5 per cent.) not only of the gross amount of interest paid, but also on the aggregate amount of income deemed to have accrued to the holder of the Notes which are subject to the Investment Tax Act, i.e. on the Assumed Profits and not yet otherwise subject to taxation. In the case of over-the-counter transactions (*Tafelgeschäft*), the withholding tax will be levied on the Assumed Profits at a rate of 35 per cent. (plus 5.5 per cent. solidarity surcharge thereon). This is also applicable with respect to interim profits.

German Investors in Notes not falling within the Scope of the German Investment Tax Act

Payments of interest on Notes not falling within the scope of the German Investment Tax Act ("**Interest**") are subject to tax in Germany if paid to a Noteholder who:

(a) is resident in Germany for German tax purposes; or

(b) is not resident in Germany for German tax purposes but holds the Notes through a permanent establishment (or a permanent representative) in Germany (each such investor, a "**German Investor**")

Interest paid to a German Investor is subject to income tax or corporate income tax (in each case plus solidarity surcharge thereon at a rate of 5.5 per cent.) and, as the case may be, trade tax in Germany.

Interest paid to a German Investor is subject to withholding tax if:

(a) the German Investor keeps the Notes in a custodial account with a German Disbursing Agent; or

(b) if the Notes are physically presented at the office of a German Disbursing Agent (an "**over-the-counter-transaction**" (*Tafelgeschäft*)).

If such withholding tax is due, such withholding tax will be deducted at a rate of 30 per cent. or, in the case of an over-the-counter-transaction, at a rate of 35 per cent. (in each case plus solidarity surcharge thereon at a rate of 5.5 per cent.). Such withholding tax is credited against the income tax and corporate income tax liability, respectively, of the German Investors or, as the case may be, refunded.

Capital gains made on the sale or partial or full redemption of the Notes (including accrued interest) or otherwise realised by a German Investor are subject to income tax or corporate income tax (in each case plus solidarity surcharge thereon at a rate of 5.5 per cent.) and, as the case may be, trade tax in Germany.

Capital gains realised by a German Investor are subject to withholding tax subject to the same conditions under which Interest paid to German Investors is subject to withholding tax (see above). The capital gain subject to withholding tax is the accrued interest if such accrued interest is charged separately (*Stückzinsen*). If such accrued interest is not charged separately, the capital gain subject to withholding tax is the sales revenue net of the purchase price, *provided* that the Notes are acquired or sold and kept thereafter in a custodial account by a German Disbursing Agent; otherwise the capital gain subject to withholding tax is equal to 30 per cent. of the (gross) sales revenue. The German withholding tax (tax rate 30 per cent. or, in the case of an over-the-counter-transaction, 35 per cent., in each case plus solidarity surcharge thereon at a rate of 5.5 per cent.) is credited against the income tax and corporate income tax liability, respectively, of the German Investor or, as the case may be, refunded.

The Issuer is not required to gross up any payments made to a German Investor or any other investor or to otherwise compensate or indemnify such German Investor or any other investor for withholding taxes levied in connection with capital gains or interest payments (including accrued interest).

Non-German Investors in Notes not falling within the scope of the German Investment Tax Act

Interest on the Notes not falling within the scope of the Investment Tax Act paid to an investor other than a German Investor is subject to tax in Germany if such investor physically presents the coupons at the office of a German Disbursing Agent (an "**over-the-counter-transaction**" (*Tafelgeschäft*)), unless (i) such investor qualifies as a foreign credit institution or foreign financial services institution, or (ii) the Notes are kept in a custodial account with the German Disbursing Agent (each such investor, a "**Foreign Taxable Investor**").

Interest paid to a Foreign Taxable Investor is subject to withholding tax at a rate of 35 per cent. (plus solidarity charge thereon at a rate of 5.5 per cent.). Such withholding tax is not credited or refunded.

Capital gains made on the sale of the Notes not falling within the scope of the Investment Tax Act by a Foreign Taxable Investor are subject to withholding tax subject to the same conditions under which interest paid to a Foreign Taxable Investor is subject to tax in Germany. The capital gain subject to withholding tax is the accrued interest if such accrued interest is charged separately (*Stückzinsen*). If such accrued interest is not charged separately, the capital gain subject to withholding tax is the sales revenue net of the purchase price, *provided* that the Notes are acquired or sold and kept thereafter in a custodial account by a German Disbursing Agent; otherwise the capital gain subject to withholding tax is equal to 30 per cent. of the (gross) sales revenue. The German withholding tax (tax rate 35 per cent. plus solidarity charge thereon at a rate of 5.5 per cent.) is not credited or refunded.

Investors Subject to the German CFC rules

In accordance with the German CFC rules, as set out in the German Foreign Tax Act (*Außensteuergesetz* (the "**FTA**"), a non-German entity is classified as a so-called CFC (*Zwischengesellschaft*) (i) if it is organised in a legal form comparable to an entity which, if domiciled in Germany, would be subject to German corporate tax, (ii) if it does not conduct an "active business" within the meaning of Section 8 FTA, and (iii) which is taxed at an effective rate of less than 25 per cent.

The income of such a CFC is taxed at the level of German tax residents if German tax residents in total hold more than, in principle, 50 per cent. of the shares or voting rights in such CFC. However, the German CFC rules even apply if one German tax resident holds less than 1 per cent. of the shares or voting rights in such foreign entity and if such foreign entity exclusively or almost exclusively earns income from "capital investments", income from investments in receivables, stocks and bonds, shares or similar assets. Since the Notes do not provide for shareholder rights (e.g. general voting rights) and are structured as a mere contractual relationship with contingent interest coupons, the Issuer believes that the Notes should not be considered as a shareholding within the meaning of the German CFC rules.

However, there remains a risk that particularly the Class N Notes could be re-qualified into a "qualifying interest" under German CFC rules according to which all income of the Issuer would be taxable at the level of the German Noteholders of the Class N Notes in accordance with its *pro rata* share in the assets of the Issuer. This would lead to the tax consequence that any profit of the Issuer which is not distributed to holders of Class

N Notes would be taxable as of the end of the fiscal year of the Issuer for such Noteholders; in this context it has to be noted that "profits" within the meaning of the German CFC rules are to be determined by applying German taxation principles and therefore could be different from a mere cash-flow analysis. In case the Investment Tax Act is applied, it will in principle prevail over the provisions of the German CFC rules.

German Gift Tax

The gratuitous transfer of Notes by an investor as a gift is subject to German gift tax if the investor or the recipient is resident or deemed to be resident in Germany under German law at the time of the transfer or if the Notes form part of the business property of a permanent establishment maintained in Germany by the investor.

Proposed Changes in German tax law

On 25 May 2007 the German government issued a draft tax reform act in which it proposed to introduce a 25 per cent. final withholding tax (*Abgeltungssteuer*) on private investment income and capital gains and potentially also on deemed income and capital gains calculated in accordance with the lump-sum provisions of the Investment Tax Act. It is proposed that the new scheme would become effective on 1 January 2009 and would result in a modification and extension of the current German withholding tax regime. Under the new regime, the withholding tax shall in principle be final, while under current law the withholding tax is — in case of German tax residents — a prepayment of the income tax liability. Capital losses from the disposal of financial assets shall be offset only if the taxpayer opts for tax assessment and such offsetting shall be subject to additional restrictions. The provisions necessary to introduce the final withholding tax scheme have not yet been drafted and the proposal is still subject to discussions and may therefore be subject to modifications and it is still uncertain whether and, if so, when and in what form the new regime will be introduced.

EU Directive on the taxation of savings income in the form of interest payments (Council Directive 2003/48/EC)

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following an agreement by certain non-EU countries to the exchange of information relating to such payments.

In addition, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES UNDER THE INVESTOR'S OWN CIRCUMSTANCES.

United Kingdom Taxation

The following, which applies only to persons who are the beneficial owners of the Notes (each referred to herein as being a "**Holder**"), is a summary of the Issuer's understanding of current United Kingdom tax law and HM Revenue & Customs in the United Kingdom ("**HMRC**") practice as at the date of this Prospectus relating to certain aspects of the United Kingdom taxation of the Notes. It is not a comprehensive analysis of the tax consequences arising in respect of Notes and so should be treated with appropriate caution. Some aspects do not apply to certain classes of taxpayer (such as dealers). Prospective Holders who are in any doubt about their tax position or who may be subject to a tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Holders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Holders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Taxation of Interest Paid

If interest payable under the Notes is not treated as having a United Kingdom source for United Kingdom tax purposes, the interest may be paid without or deduction for or on account of United Kingdom tax.

If interest payable under the Notes is treated as having a United Kingdom source, the position set out in the following paragraphs below will apply. Interest on the Notes may have a United Kingdom source where, for example, interest is paid out of funds originating from the United Kingdom.

Interest which has a United Kingdom source ("**UK interest**") may be paid by the Issuer without withholding or deduction for or on account of united Kingdom income tax if the Notes in respect of which the UK interest is paid constitute "quoted Eurobonds". Notes which are issued by a company and which carry a right to interest will constitute quoted Eurobonds, *provided* they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. On the basis of the interpretation of the relevant legislation published by HMRC, securities which are to be listed on a stock exchange in a country which is a member state of the European Union or which is part of the European Economic Area will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country; securities which are to be listed on a stock exchange in any other country will satisfy this requirement if they are admitted to trading on a recognised stock exchange in that country. The Irish Stock Exchange is a "recognised stock exchange" for these purposes. The Notes will therefore satisfy these requirements if they are listed by the competent authority in Ireland and are admitted to trading by the Irish Stock Exchange. Provided that the Notes remain so listed and admitted to trading, interest on the Notes will be payable without withholding for or on account of United Kingdom income tax, even where the interest is treated as having a United Kingdom source.

In all cases falling outside the exemption described above, interest on the Notes may, where the interest is treated as having a United Kingdom source, be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available.

The references to "interest" and "principal" in this summary of the United Kingdom withholding tax position mean "interest" and "principal" as understood in United Kingdom revenue law. The statements in this summary do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences if any such substitution occurs.

Provision of Information

Holders who are individuals should note that where any interest on the Notes is paid to them (or to any person acting on their behalf) by any person in the United Kingdom acting on behalf of the Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Holder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the Holder (including the Holder's name and address). These provisions will apply (a) whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax, (b) whether or not the interest is treated as having a United Kingdom source and (c) whether or not the Holder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Holder is not so resident, the details provided to HMRC may, in certain cases, be passed by HMRC to the tax authorities of the jurisdiction in which the Holder is resident for taxation purposes. The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of the Notes where the amount payable on redemption is greater than the issue price of the Notes.

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue 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 subject to ERISA, including entities (such as collective investment funds and some insurance company separate accounts) whose underlying assets are treated as being subject to ERISA (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment should be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "*Risk Factors*" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans, and including entities whose underlying assets are deemed to include assets of any such plan (together with ERISA Plans, "**Plans**"), and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under Section 4975 of the Code) 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 or other liabilities under ERISA and the Code.

Each of the Issuer, the Initial Purchaser and the Collateral Manager as a result of their own activities or because of the activities of an affiliate, may be considered a party in interest or a disqualified person with respect to Plans. Accordingly, prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if Notes are acquired or held by a Plan with respect to which any of the Issuer, the Initial Purchaser, the Collateral Manager, the obligors on or issuers of the Notes or any of their respective affiliates is or becomes a party in interest or disqualified person. In addition, if a party in interest or disqualified person with respect to a Plan owns or acquires a 50 per cent. or more beneficial interest in the Issuer, the acquisition or holding of Notes by or on behalf of the Plan could be considered to constitute an indirect prohibited transaction under ERISA or Section 4975 of the Code. Moreover, the acquisition or holding of Notes or other indebtedness issued by the Issuer by or on behalf of a party in interest or disqualified person with respect to a Plan that owns or acquires an equity interest in the Issuer also could give rise to an indirect prohibited transaction under ERISA or Section 4975 of the Code.

Certain exemptions from such prohibited transaction rules could be applicable. Included among these exemptions are Prohibited Transaction Class Exemption ("**PTE**") 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 84-14, regarding transactions effected by a "qualified professional asset manager"; PTE 96-23, regarding investments by certain in house asset managers; PTE 95-60, regarding investments by insurance company general accounts; and Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code regarding transactions with certain service providers. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might not cover all acts which might be construed as prohibited transactions under ERISA or Section 4975 of the Code. If a purchase of Notes were to be a non-exempt prohibited transaction, the purchase would have to be rescinded.

Governmental plans, certain church plans and certain non-U.S. plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to local, state, other federal laws or non-U.S. laws that are similar to the foregoing provisions of ERISA and the Code and may be subject to the prohibited transaction rules of Section 503 of the Code.

Section 3(42) of ERISA and a regulation promulgated by the U.S. Department of Labor, 29 C.F.R. Section 2510.3-101 (collectively, the "**Plan Asset Regulation**"), describe 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 a "look through rule" set forth in the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity and no exception applies, the Plan's assets are deemed to include both the equity interest and an undivided interest in each of the entity's underlying assets. An equity interest does not include debt (as determined by applicable local law) which does not have substantial equity features. The Plan Asset Regulation provides, however, that if equity participation in

any entity by "**Benefit Plan Investors**" is not significant then the "look through" rule will not apply to such entity. "Benefit Plan Investors" are defined in the Plan Asset Regulation to include (1) any employee benefit plan (as defined in Section 3(3) of ERISA), subject to the provisions of part 4 of subtitle B of Title I of ERISA, (2) any plan described in Section 4975(e)(1) of the Code, and (3) any entity whose underlying assets include "plan assets" by reason of any such employee benefit plan's or plan's investment in the entity, but only to the extent of the percentage of the equity interests in such entity that are held by Benefit Plan Investors. Equity participation by Benefit Plan Investors in an entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25 per cent. or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, exercising discretionary authority or control over the assets of the entity or providing investment advice to the entity for a fee, direct or indirect (such as the Collateral Manager), or any affiliates of such persons (any such person, a "**Controlling Person**")) is held by Benefit Plan Investors.

Although there can be no assurances in this regard, based on the credit quality (as reflected by the credit rating assigned by the Rating Agencies) of the Senior Notes, Class B Notes, Class C Notes, and Class D Notes, the traditional debt characteristics of such Notes and the absence of rights to payment in excess of principal and stated interest under such Notes, the Issuer is initially treating such Notes as not being "equity interests" in the Issuer at the time of their issuance for purposes of the Plan Asset Regulation. The treatment of such Notes as not being "equity interest" in the Issuer for the purposes of the Plan Asset Regulation could, however, be affected, subsequent to their issuance, by certain changes in the structure or financial condition of the Issuer. There is a risk that the Class E Notes and Class N Notes (the "**ERISA Restricted Notes**") would be likely to constitute "equity interests" in the Issuer for the purposes of the Plan Asset Regulation. There is little pertinent authority in this area.

The Issuer intends to restrict ownership of the ERISA Restricted Notes so that no assets of the Issuer will be deemed to be "plan assets" subject to Title I of ERISA or Section 4975 of the Code. Accordingly, the Issuer intends to prohibit Plans from acquiring or holding any ERISA Restricted Note or any interest therein. However, there can be no assurance that at any time no Plan will hold an interest in an ERISA Restricted Note. If for any reason the assets of the Issuer are deemed to be "plan assets" of a Plan because one or more Plans is an owner of an ERISA Restricted Note and no exception under ERISA and the Plan Asset Regulation applies, certain transactions that the Issuer might enter into, or may have entered into, in the ordinary course of its business might be deemed to constitute direct or indirect non-exempt "prohibited transactions" under Section 406 of ERISA or Section 4975 of the Code and might have to be rescinded. In addition, if the assets of the Issuer are deemed to be "plan assets" of a Plan subject to Title I of ERISA or Section 4975 of the Code, the payment of certain of the fees payable to the Collateral Manager might be considered to be a non-exempt "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code. Moreover, if the underlying assets of the Issuer were deemed to be assets constituting "plan assets" of a Plan, there are several provisions of ERISA that could be implicated if an ERISA Plan were to acquire and hold ERISA Restricted Notes either directly or by investing in an entity whose underlying assets are deemed to be assets of the ERISA Plan. It is not clear that the limitations of Section 403(a) of ERISA on the delegation of investment management responsibilities by fiduciaries of ERISA Plans would be satisfied. It is also not clear whether Section 404(b) of ERISA, which generally provides that no fiduciary may maintain the indicia of ownership of any assets of a plan outside the jurisdiction of the district courts of the United States, would be satisfied or any of the exceptions to this requirement set forth in 29 C.F.R. Section 2550.404b-1 would be available.

EACH PURCHASER AND EACH TRANSFEREE OF A SENIOR NOTE, A CLASS B NOTE, A CLASS C NOTE OR A CLASS D NOTE OR ANY INTEREST THEREIN WILL BE DEEMED TO REPRESENT AND WARRANT (OR, IF REQUIRED BY THE TRUST DEED, A TRANSFEREE WILL BE REQUIRED TO CERTIFY) (1) EITHER THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS ANY NOTE OR INTEREST THEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS ANY SUCH NOTE OR INTEREST THEREIN WILL NOT BE) (I) A PLAN OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (II) ANOTHER BENEFIT PLAN INVESTOR, AS DEFINED IN SECTION 3(42) OF ERISA, OR (B) ITS PURCHASE AND HOLDING OF SUCH NOTE DOES NOT AND WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR FEDERAL, STATE, LOCAL OR NON- U.S. LAW); AND (2) IT AGREES NOT SELL OR OTHERWISE TRANSFER SUCH NOTES OR ANY INTEREST THEREIN OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO REPRESENT AND AGREE (OR, IF REQUIRED BY THE TRUST

DEED, REQUIRED TO CERTIFY) WITH RESPECT TO ITS PURCHASE AND HOLDING OF SUCH NOTES TO THE SAME EFFECT AS THE PURCHASER'S REPRESENTATION AND AGREEMENT SET FORTH IN THIS SENTENCE.

EACH PURCHASER AND EACH TRANSFEREE OF A CLASS E NOTE OR CLASS N NOTE (EACH AN "**ERISA RESTRICTED NOTE**") WILL BE DEEMED OR REQUIRED IN WRITING, AS APPLICABLE, TO REPRESENT AND WARRANT THAT, DURING THE PERIOD IT HOLDS ANY INTEREST IN AN ERISA RESTRICTED NOTE, IT IS NOT AND IS NOT ACTING ON BEHALF OF (A) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO TITLE I OF ERISA, (B) A PLAN (AS DEFINED IN SECTION 4975(E)(1) OF THE CODE) THAT IS SUBJECT TO SECTION 4975 OF THE CODE AND (C) ANY OTHER ENTITY, INCLUDING WITHOUT LIMITATION, AN INSURANCE COMPANY GENERAL ACCOUNT OR A WHOLLY-OWNED SUBSIDIARY THEREOF, WHOSE UNDERLYING ASSETS INCLUDE ASSETS OF THE PLANS DESCRIBED IN (A) OR (B) ABOVE BY REASON OF SUCH PLAN'S INVESTMENT IN THE ENTITY (EACH OF (A), (B) OR (C), A "**PLAN**"). NO PURCHASE BY OR TRANSFER TO A PLAN OF AN ERISA RESTRICTED NOTE WILL BE EFFECTIVE, AND NONE OF THE ISSUER, THE REGISTRAR, ANY TRANSFER AGENT OR THE TRUSTEE WILL RECOGNISE SUCH PURCHASE OR TRANSFER OF AN ERISA RESTRICTED NOTE. IN THE EVENT THAT THE ISSUER DETERMINES THAT ANY ERISA RESTRICTED NOTE IS HELD BY A PLAN, THE ISSUER MAY CAUSE A SALE OR TRANSFER OF SUCH NOTE.

THE ISSUER, THE REGISTRAR, THE TRANSFER AGENT, THE TRUSTEE AND THE COLLATERAL MANAGER SHALL BE ENTITLED TO CONCLUSIVELY RELY UPON THE REPRESENTATIONS DISCUSSED HEREIN BY PURCHASERS OR TRANSFEREES OF ANY NOTES WITHOUT FURTHER INQUIRY.

It should be noted that an insurance company's general account may be deemed to include assets of Plans under certain circumstances, e.g., where a Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank, 510 U.S. 86 (1993). An insurance company considering the purchase of Notes with assets of its general account or a wholly-owned subsidiary thereof should consider such purchase and the insurance company's ability to make the representations described above in light of John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank, Section 401(c) of ERISA and a regulation promulgated by the U.S. Department of Labor under that Section of ERISA, 29 C.F.R. §2550.401c-1.

The sale of any Note to a Plan or a governmental, church or non-U.S. plan that is subject to federal, state, local or non-U.S. laws that are similar to the fiduciary responsibility provisions or prohibited transaction provisions of ERISA or Section 4975 of the Code is in no respect a representation by the Issuer, the Initial Purchaser, the Collateral Manager or any of their affiliates that such an investment meets all relevant legal requirements with respect to investments by such plans generally or any particular plan; that the prohibited transaction exemptions described above, or any other prohibited transaction exemption, would apply to such an investment by such plans in general or any particular plan; or that such an investment is appropriate for such plan generally or any particular plan.

The discussion of ERISA and Section 4975 of the Code contained in this Prospectus, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

Any Plan or employee benefit plan not subject to ERISA or Section 4975 of the Code proposing to invest in the Notes should consult with its legal advisors concerning the consequences of the investment under ERISA, Section 4975 of the Code and any similar federal, state, local or non-U.S. law, including confirmation that the investment will not result in a prohibited transaction and will satisfy the other requirements of ERISA, Section 4975 of the Code and any other applicable law, prior to its purchase of the Notes.

PLAN OF DISTRIBUTION AND TRANSFER RESTRICTIONS

Dresdner Bank AG London Branch (in its capacity as initial purchaser, the "**Initial Purchaser**") has, pursuant to a subscription and placement agreement dated on or about the Issue Date (the "**Subscription and Placement Agreement**") agreed with the Issuer, subject to the satisfaction of certain conditions, (i) to either subscribe and pay for its own account or procure the purchase and payment by a third party for up to €75,000,000 principal amount of Class A1A Notes and (ii) to subscribe and pay for €75,000,000 principal amount of the Class A1B Notes, €48,800,000 principal amount of the Class A2 Notes, €24,130,000 principal amount of the Class B Notes, €21,900,000 principal amount of the Class C Notes, €22,020,000 principal amount of the Class D Notes, €10,780,000 principal amount of the Class E Notes and €32,800,000 principal amount of the Class N Notes, in each case, at the issue price of 100 per cent. (less subscription and underwriting fees to be agreed between the Issuer and Initial Purchaser). The Subscription and Placement Agreement entitles the Initial Purchaser to terminate it in certain circumstances prior to payment being made to the Issuer.

In connection with the issue of the Notes, Dresdner Bank AG London Branch (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment shall be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules. No such stabilising shall take place in or from The Netherlands.

It is a condition of the issuance of the Notes of each Class that the Notes of each other Class be issued in the following principal amounts: Class A1A Notes: Up to €75,000,000; Class A1B Notes: €75,000,000; Class A2 Notes: €48,800,000; Class B Notes: €24,130,000; Class C Notes: €21,900,000; Class D Notes: €22,020,000; Class E Notes: €10,780,000 and Class N Notes: €32,800,000.

The Issuer has agreed to indemnify the Initial Purchaser against certain liabilities or to contribute to payments it may be required to make in respect thereof.

Certain of the Collateral Debt Securities may have been originally underwritten or placed by the Initial Purchaser. In addition, the Initial Purchaser may have in the past performed and may in the future perform investment banking services or other services for issuers of the Collateral Debt Securities. In addition, the Initial Purchaser and its Affiliates may from time to time as a principal or through one or more investment funds that it or they manage, make investments in the equity securities of one or more of the issuers of the Collateral Debt Securities, with a result that one or more of such issuers may be or may become controlled by the Initial Purchaser or its Affiliates.

No action has been or will be taken by the Issuer or the Initial Purchaser that would permit a public offering of the Notes or possession or distribution of this Prospectus or any other offering material in relation to the Notes in any jurisdiction where action for the purpose is required. No offers, sales or deliveries of any Notes, or distribution of this Prospectus or any other offering material relating to the Notes, may be made in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations thereof and will not impose any obligations on the Issuer or the Initial Purchaser.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes and for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market. The Issuer and the Initial Purchaser reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the principal amount of Notes which may be offered. This Prospectus does not constitute an offer to any person in the United States or to any U.S. Person other than as described herein. Distribution of this Prospectus to any such U.S. Person or to any person within the United States, other than in accordance with the procedures described in this section, is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

The Initial Purchaser has also agreed to comply with the following selling restrictions and for the purposes of the following sections titled "*United States*", "*United Kingdom*", "*France*", "*Germany*" and "*Denmark*", references to Notes shall be to the Notes subscribed for by the Initial Purchaser pursuant to the Subscription and Placement Agreement.

United States

The Initial Purchaser has agreed that it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. Persons, other than offers and sales pursuant to Rule 144A, and it will have sent to each dealer to which it sells Notes during such distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. Persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Notes have not been and are not expected to be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States. The Issuer has not registered and does not intend to register as an investment company under the United States Investment Company Act of 1940, as amended (the "**Investment Company Act**") in reliance on the exclusion provided in Section 3(c)(7) thereof.

The Notes are being offered and sold (1) within the United States to "qualified institutional buyers" as defined in Rule 144A who are "qualified purchasers" as defined in the Investment Company Act and (2) outside of the United States to persons who are neither U.S. Persons nor U.S. Residents purchasing in an "offshore transaction" (as defined in Regulation S).

The Notes may not be reoffered, resold, pledged, exchanged or otherwise transferred except in transactions exempt from or not subject to the registration requirements of, the Securities Act and any other applicable securities laws. By its purchase of the Notes, each purchaser will be deemed to have (1) represented and warranted that (i) it is a "qualified institutional buyer" as defined in Rule 144A or (ii) it is a non-U.S. person located outside of the United States, and (2) agreed that it will only resell or otherwise transfer such Notes in accordance with the applicable restrictions set forth herein. See "*Transfer Restrictions*".

The Regulation S Notes (other than the Class A1A Notes) will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, as applicable. The Rule 144A Notes (other than the Class A1A Notes) will be issued in minimum denominations of €500,000 and integral multiples of €1,000 in excess thereof. The Class A1A Notes issued pursuant to Regulation S or Rule 144A will be issued in minimum denominations of €1,000,000 or £500,000. Any offer or sale of Rule 144A Notes in reliance on Rule 144A will be made by broker dealers who are registered as such under the Exchange Act.

United Kingdom

The Initial Purchaser has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

France

The Initial Purchaser and the Issuer will represent and agree that:

(a) they have not offered or sold and will not offer or sell, directly or indirectly, the Notes by way of a public offering in France (*appel public à l'épargne*, as defined in Articles L. 411-1, L. 411-2, D. 411-1 and D. 411-2 of the French *Code Monétaire et Financier*);

(b) they have not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France this Prospectus or any other offering material relating to the Notes, which is strictly confidential and is solely destined for persons or institutions to which it was initially supplied.

This Prospectus does not constitute an offer or invitation to subscribe for or to purchase any securities and neither this Prospectus nor anything herein shall form the basis of any contract or commitment whatsoever; and

(c) such offers, sales and distributions have been and shall only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*) all acting for their own account, as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code Monétaire et Financier*.

This Prospectus has not been submitted to the French financial market authority (*Autorité des Marchés Financiers*) for approval and does not constitute an offer for sale or subscription of securities. Any contact with potential investors in France does not and will not constitute financial and banking solicitation (*démarchage bancaire et financier*) as defined in articles L. 341-1 et seq. of the French *Code Monétaire et Financier*.

Germany

The Notes may be qualified as a foreign investment fund subject to the German Investment Act (*Investmentgesetz* - "**InvG**") of 15 December 2003, as amended. No authorisation from the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* - "**BaFin**") has been obtained in connection with the offering and distribution of the Notes in the Federal Republic of Germany. Accordingly, the Initial Purchaser has agreed that the Notes may not be publicly offered or distributed in or from the Federal Republic of Germany, and the Initial Purchaser has agreed that neither this Prospectus nor any other offering materials relating to any of the Notes may be publicly distributed in connection with any such offering or distribution. The Initial Purchaser will represent and agree that (a) it has not prepared or published any selling prospectus (*Verkaufsprospekt*) within the meaning of the German Securities Prospectus Act (*Wertpapierprospektgesetz* – "**WpPG**") as of 22 June 2005, effective as of 1 July 2005, as amended, to be approved by the BaFin and (b) it has not offered or sold or will not offer or sell or publicly promote or advertise in the Federal Republic of Germany other that in compliance with the private placement rules und the InvG, if applicable, and the WpPG, or any other laws and regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. This Prospectus is for the respective recipient only and may not in any way be forwarded to any other person or to the public in Germany. Any on-sale of the Notes is only permissible in accordance with the private placement rules under the InvG, if applicable, and the WpPG. Any use in this Prospectus of the terms "**fund**" or "**investment**", or terms with similar meanings, should not be interpreted to imply that the BaFin has reviewed or given their approval to any information contained therein.

The distribution of the Notes has not been notified and the Notes are not registered or authorised for public distribution in the Federal Republic of Germany. This Prospectus has not been filed or deposited with the German Federal Financial Supervisory Agency.

Denmark

This document and the Notes offered herein have not been filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in the Kingdom of Denmark nor does this document constitute a prospectus or other promotional material for the public offering of the Notes in accordance with Danish law. Accordingly, the Notes offered herein may not be offered or sold, including any subsequent resale or other transfer of the Notes, directly or indirectly, in Denmark, nor may this document be marketed or distributed in Denmark except if it is in compliance with the Danish Securities Trading Act and any Executive Orders issued thereunder, including Executive Order No. 306 of 28 April 2005 and Executive Order No. 307 of 28 April 2005 on the first public offer of certain securities, each as amended or replaced from time to time.

Transfer Restrictions

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

Investor Representations on Original Purchase. Each purchaser of Notes from the Initial Purchaser will be deemed to acknowledge, represent to and agree as follows:

1. *No Governmental Approval*. The purchaser understands that the Notes have not been approved or disapproved by the SEC or any other governmental authority or agency of any jurisdiction, nor has the SEC

or any other governmental authority or agency passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

2. *Certification Upon Transfer*. If required by the Trust Deed, the purchaser will, prior to any sale, pledge or other transfer by it of any Note (or any interest therein), obtain from the transferee and deliver to the Issuer and the Registrar a duly executed transferee certificate addressed to each of the Issuer and the Registrar in the form of the relevant exhibit attached to the Trust Deed and such other certificates and other information as the Issuer or the Registrar may reasonably require to confirm that the proposed transfer substantially complies with the transfer restrictions set forth in the Trust Deed and described herein. In addition, each investor that is a U.S. Person and acquiring an interest in a Global Note of any Class of Rated Notes or a Class N Global Note will be required to execute and deliver to the Issuer and the Trustee a letter in the form attached as an exhibit to the Trust Deed to the effect that such investor will not transfer such interest except in compliance with the transfer restrictions set forth in the Trust Deed (including the requirement set forth in such letter that any subsequent transferee execute and deliver such letter).

3. *Minimum Denominations*: Form of Notes. The purchaser agrees that no Note (or any interest therein) may be sold, pledged or otherwise transferred in a denomination of less than the applicable Minimum Denomination set forth in the Trust Deed and described herein.

4. *Securities Law Limitations on Resale*. The purchaser understands that the Notes have not been registered under the Securities Act and, therefore, cannot be offered or sold in the United States or to any U.S. Person (as defined in Rule 902(k) under the Securities Act) unless the Notes are registered under the Securities Act or unless an exemption from registration is available. Accordingly, the certificates representing the Notes will bear a legend stating that such Notes have not been registered under the Securities Act and setting forth certain of the restrictions on transfer of the Notes described herein. The purchaser understands that the Issuer has no obligation to register any of the Notes under the Securities Act or to comply with the requirements for any exemption from the registration requirements of the Securities Act (other than in the case of the Rule 144A Notes to supply information specified in Rule 144A(d)(4) of the Securities Act as required by the Trust Deed).

5. *Rule 144A Notes*. Each purchaser of Rule 144A Notes will be deemed to have represented and agreed as follows:

   (a) (i) it is a Qualified Institutional Buyer, (ii) it is acquiring such Notes for its own account or for the account of a Qualified Institutional Buyer; and (iii) it is acquiring such Notes in reliance on the exemption from registration under the Securities Act provided by Rule 144A thereunder;

   (b) it understands that (i) the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act and the Rule 144A Notes have not been and will not be registered under the Securities Act, (ii) the Issuer has not registered and will not register under the Investment Company Act and (iii) none of the Notes may be offered, sold, pledged or otherwise transferred to any Person except as set forth herein and in the Trust Deed;

   (c) it and each account with respect to which it exercises sole investment discretion (i) is a Qualified Purchaser, (ii) is not formed for the purpose of investment in the Notes, unless all of its beneficial owners are Qualified Purchasers, (iii) if it would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, has not invested more than 40 per cent. of its total assets in the Notes; (iv) is not a dealer referred to in paragraph (a)(1)(ii) of Rule 144A unless it owns and invests on a discretionary basis at least $25 million in securities of issuers that are not affiliated Persons of such dealer, (v) is not a plan referred to in paragraph (a)(1)(i)(D) or (E) of Rule 144A or a trust fund referred to in paragraph (A)(1)(i)(F) of Rule 144A that holds the assets of such plan, unless investment decisions are made solely by the fiduciary, trustee or sponsor of such plan, (vi) is purchasing the Notes in at least a minimum denomination of the applicable Minimum Denomination set forth in the Trust Deed and (vii) will provide written notice of the foregoing and any other applicable transfer restrictions to any transferee;

   (d) it understands that (i) transfers in violation of the transfer restrictions herein will be of no force and effect, will be void *ab initio*, and will not operate to transfer any rights to the transferee, notwithstanding any instructions to the contrary to the Issuer, the Trustee or any intermediary and that (ii) if the Issuer determines that any beneficial owner or holder of Notes that is a U.S. Person is not a Qualified Institutional Buyer and a Qualified Purchaser, the Issuer will require that such beneficial

owner or holder sell all of its right, title and interest in such Notes to a Person who is a Qualified Institutional Buyers and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such sale is not effected within such 30 days, upon written direction from the Issuer or the Collateral Manager, the Registrar will be authorised to appoint an investment bank (without any liability to the Registrar) to conduct a commercially reasonable sale of such Notes to a Person who is a Qualified Institutional Buyer and a Qualified Purchaser and, pending transfer, no further payments will be made in respect of such Notes or any beneficial interest therein;

(e) it shall not resell or otherwise transfer any of the Notes except (a) to the Issuer, (b) to a Person that is a Qualified Institutional Buyer and a Qualified Purchaser in a transaction meeting the requirements of Rule 144A under the Securities Act or (c) in an "offshore transaction" and not to, or for the account or benefit of, a U.S. Person or a U.S. Resident, in accordance with Regulation S under the Securities Act; and that no representation has been made as to the availability of any exemption under the Securities Act or the securities laws of any applicable jurisdiction;

(f) if it is acquiring the Rule 144A Notes for the account of a Qualified Institutional Buyer and a Qualified Purchaser, it represents that it has sole investment discretion with respect to such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account;

(g) it understands that the Rule 144A Notes offered in reliance on Rule 144A will be represented by Rule 144A Global Notes and that the beneficial interests therein may be held only through DTC, Euroclear and Clearstream, Luxembourg or one of their nominees, as applicable; and that the Rule 144A Notes may not at any time be held by, or on behalf of, U.S. Persons or U.S. Residents that are not Qualified Institutional Buyers and Qualified Purchasers; and

(h) it is not purchasing the Rule 144A Notes with the intent or purpose of evading, either alone or in conjunction with any other Person, the provisions of the Investment Company Act.

6. *Regulation S Notes*: Each purchaser of Regulation S Notes will be deemed to have represented and agreed as follows:

(a) it is, and the person, if any, for whose account it is acquiring the Notes is, located outside the United States and is neither a U.S. Person nor a U.S. Resident and is purchasing for its own account or one or more accounts, each of which is neither a U.S. Person nor a U.S. Resident in an offshore transaction in accordance with Regulation S, and is aware that the sale of the Notes to it is being made in reliance on the exemption from registration provided by Regulation S; and

(b) it understands that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and have not been and will not be registered under the Securities Act and that the Issuer has not registered and will not register under the Investment Company Act. It agrees, for the benefit of the Issuer, the Initial Purchaser and any of their affiliates that, if it decides to resell, pledge or otherwise transfer such Notes (or any beneficial interest or participation therein) purchased by it, any offer, sale or transfer of such Notes (or any beneficial interest or participation therein) will be made in compliance with the Securities Act, the conditions set forth herein and in the Trust Deed and only (i) to a Qualified Purchaser it reasonably believes is a Qualified Institutional Buyer purchasing for its own account or for the account of a Qualified Institutional Buyer and a Qualified Purchaser in a transaction that meets the requirements of Rule 144A; or (ii) to a person who is neither a U.S. Person nor a U.S. Resident in an offshore transaction in accordance with Rule 903 or Rule 904 under Regulation S.

7. *Purchaser Sophistication; Non-Reliance, Suitability; Access to Information*. The purchaser (a) has such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in the Notes, (b) is financially able to bear such risk, (c) in making such investment is not relying on the advice or recommendations of the Initial Purchaser, the Issuer, the Collateral Manager or any of their respective affiliates (or any representative of any of the foregoing) and (d) has determined that an investment in the Notes is suitable and appropriate for it. The purchaser has received, and has had an adequate opportunity to review the contents of, the final Prospectus. The purchaser has had access to such financial and other information concerning the Issuer and the Notes as it has deemed necessary to make its own independent decision to purchase Notes, including the opportunity, at a reasonable time prior

to its purchase of Notes, to ask questions and receive answers concerning the Issuer and the terms and conditions of the offering of the Notes.

8. *Limited Liquidity*. The purchaser understands that there is no market for Notes and that no assurance can be given as to the liquidity of any trading market for Notes and that it is unlikely that a trading market for any of the Notes will develop. The purchaser further understands that, although the Initial Purchaser may from time to time make a market in Notes, the Initial Purchaser are under no obligation to do so and, following the commencement of any market making, may discontinue the same at any time. Accordingly, the purchaser must be prepared to hold Notes for an indefinite period of time or until their maturity.

9. *Withholding Certification*. The purchaser understands that each of the Issuer, the Trustee or any Paying Agent shall require certification acceptable to it (i) as a condition to the payment of principal of and interest on any Notes without, or at a reduced rate of, U.S. withholding or backup withholding tax, and (ii) to enable each of the Issuer, the Trustee and any Paying Agent to determine their duties and liabilities with respect to any taxes or other charges that they may be required to pay, deduct or withhold from payments in respect of such Notes or the Holder of such Notes under any present or future law or regulation of The Netherlands or the United States or any present or future law or regulation of any political subdivision thereof or taxing authority therein or to comply with any reporting or other requirements under any such law or regulation. Such certification may include U.S. federal income tax forms (such as IRS Form W-8BEN (Certification of Foreign Status of Beneficial Owner), IRS Form W-8IMY (Certification of Foreign Intermediary Status), IRS Form W-9 (Request for Taxpayer Identification Number and Certification), or IRS Form W-8ECI (Certification of Foreign Person's Claim for Exemption from Withholding on Income Effectively Connected with Conduct of a U.S. Trade or Business) or any successors to such IRS forms). In addition, each of the Issuer, the Trustee or any Paying Agent may require certification acceptable to it to enable the Issuer to qualify for a reduced rate of withholding in any jurisdiction from or through which the Issuer receives payments on its assets. Each purchaser agrees to provide any certification requested pursuant to this paragraph and to update or replace such form or certification in accordance with its terms or its subsequent amendments.

10. *Tax Treatment*. The purchaser hereby agrees that, for purposes of U.S. federal, state and local income and franchise tax and any other income taxes, it will treat (i) the Issuer as a corporation, (ii) the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, and the Class E Notes as indebtedness of the Issuer, and (iii) the Class N Notes as equity in the Issuer, and will take no action inconsistent with such treatment, unless required by law; it agrees to such treatment and agrees to take no action inconsistent with such treatment, unless required by law.

11. The purchaser, if not a "**United States person**" (as defined in Section 7701(a)(30) of the Code), either: (A) is not a bank (within the meaning of Section 881(c)(3)(A) of the Code); (B) if such purchaser is a bank (within the meaning of Section 881(c)(3)(A) of the Code), after giving effect to its purchase of Notes, the purchaser (x) will not own more than 50 per cent. of the Class N Notes (by number) or 50 per cent. by value of the aggregate of all classes of notes that are treated as equity for US federal income tax purposes either directly or indirectly, and will not otherwise be related to the Issuer (within the meaning of section 267(b) of the Code) and (y) has not purchased the Notes in whole or in part to avoid any U.S. federal tax liability (including, without limitation, any U.S. withholding tax that would be imposed on the Notes with respect to the Collateral Debt Obligations if held directly by the purchaser); (C) has provided an IRS Form W-8ECI representing that all payments received or to be received by it from the Issuer are effectively connected with the conduct of a trade or business in the United States, or (D) is eligible for benefits under an income tax treaty with the United States that eliminates U.S. federal income taxation of U.S. source interest not attributable to a permanent establishment in the United States and the Issuer is treated as a fiscally transparent entity (as defined in Treasury regulations section 1.894-1(d)(3)(iii)) under the laws of purchaser's jurisdiction with respect to payments made on the Collateral Debt Obligations held by the Issuer.

12. *ERISA*. In the case of each purchaser of any Senior Note, Class B Note, Class C Note or Class D Note (or any interest therein), (1) either (i) it is not (and for so long as it holds any such Note or interest therein will not be), and is not acting on behalf of (and for so long as it holds any such Note or interest therein will not be acting on behalf of), (a) an employee benefit plan within the meaning of Section 3(3) of ERISA, a plan within the meaning of Section 4975(e)(l) of the Code, an entity which is deemed to hold the assets of any such plan pursuant to Section 3(42) of ERISA and the U.S. Department of Labor Regulations at 29 C.F.R. §2510.3-101 (collectively, the "**Plan Asset Regulation**"), which plan or entity is subject to Title I of ERISA or Section 4975 of the Code, or a governmental, church or non-U.S. plan which is subject to any

federal, state, local or non-U.S. law that is similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code or (b) another "benefit plan investor", as defined in the Plan Asset Regulation or (ii) its purchase and holding of any such Note (or interest therein) does not and will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church, or non-U.S. plan, a violation of any similar federal, State, local or non-U.S. law); and (2) it agrees not to sell or otherwise transfer any interest in such Notes otherwise than to a purchaser or transferee that is deemed (or if required by the Trust Deed, certified) to make theses same representations, warranties and agreements with respect to its purchase and holding of such Notes.

In the case of a purchaser of a Class E Note or Class N Note (each an "**ERISA Restricted Note**") or any interest therein, (A) (i) the purchaser will be deemed or required in writing, as applicable, to represent and warrant that, during the period it holds any interest in an ERISA Restricted Note, it is not and is not acting on behalf of (a) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (b) a plan (as defined in Section 4975(e)(1) of the Code) that is subject to Section 4975 of the Code and (c) any other entity, including without limitation, an insurance company general account, whose underlying assets include assets of the plans described in (a) or (b) above by reason of such plan's investment in the entity (each of (a), (b) or (c), a "**Plan**") and (ii) the purchaser understands and agrees that no purchase by or transfer to a Plan of such Note (or any interest therein) will be effective, and none of the Issuer, the Registrar, any Transfer Agent or the Trustee will recognise any such purchase or transfer; and (B) the purchaser agrees not to sell or otherwise transfer any interest in an ERISA Restricted Note otherwise than to a purchaser or transferee that makes these same certifications and agreements with respect to its purchase and holding of such Notes.

13. *Reliance on Representations, etc*. The purchaser acknowledges that the Issuer, the Initial Purchaser, the Registrar and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties made or deemed to have been made by it in connection with its purchase of Notes are no longer accurate, the purchaser will promptly notify the Issuer and the Registrar.

14. *Legend for Notes*. The purchaser understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Notes:

THE ISSUER OF THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), AND THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), UNDER ANY STATE SECURITIES OR "**BLUE SKY**" LAWS, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION.

EACH PERSON ACQUIRING AN INTEREST IN THIS NOTE IS DEEMED TO (1) REPRESENT THAT (A) IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")) AND THAT IS ALSO A "**QUALIFIED PURCHASER**" (FOR PURPOSES OF THE INVESTMENT COMPANY ACT) (A "**QUALIFIED PURCHASER**") OR (B) IT IS NOT A "**U.S. PERSON**" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (A "**U.S. PERSON**") OR A "**U.S. RESIDENT**" (AS DETERMINED FOR PURPOSES OF THE INVESTMENT COMPANY ACT) (A "**U.S. RESIDENT**") AND IS ACQUIRING SUCH INTEREST IN AN "**OFFSHORE TRANSACTION**" PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (AN "**OFFSHORE TRANSACTION**"); (2) REPRESENT THAT IT UNDERSTANDS THAT THE ISSUER OF THIS NOTE MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES; AND (3) AGREE THAT IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER SUCH INTEREST EXCEPT IN AT LEAST A MINIMUM DENOMINATION OF €100,000/500,000/200,000 AND (A) TO THE ISSUER; (B) IN ACCORDANCE WITH RULE 144A TO A QUALIFIED PURCHASER THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT (I) IS NOT FORMED FOR THE PURPOSE OF INVESTMENT IN THIS NOTE, UNLESS ALL OF ITS BENEFICIAL OWNERS ARE QUALIFIED PURCHASERS, (II) IS NOT A DEALER REFERRED TO IN PARAGRAPH (a)(1)(ii) OF RULE 144A UNLESS IT OWNS AND INVESTS ON A DISCRETIONARY BASIS AT LEAST U.S. $25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF SUCH DEALER, (III) IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH

PLAN, UNLESS INVESTMENT DECISIONS ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN, (IV) IS PURCHASING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO A QUALIFIED PURCHASER AND (V) WILL PROVIDE WRITTEN NOTICE OF THE FOREGOING AND ANY OTHER APPLICABLE TRANSFER RESTRICTIONS TO ANY TRANSFEREE; OR (C) IN AN OFFSHORE TRANSACTION AND NOT TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON OR A U.S. RESIDENT, IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

ANY PROHIBITED TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR 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 OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. IF THE ISSUER DETERMINES THAT ANY BENEFICIAL OWNER OR HOLDER OF AN INTEREST IN THIS NOTE THAT IS A U.S. PERSON IS NOT A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, THE ISSUER WILL REQUIRE THAT SUCH BENEFICIAL OWNER OR HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST IN THIS NOTE TO A PERSON WHO IS A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH SALE IS NOT EFFECTED WITHIN SUCH 30 DAYS, UPON WRITTEN DIRECTION FROM THE ISSUER OR THE COLLATERAL MANAGER, THE REGISTRAR WILL BE AUTHORISED TO APPOINT AN INVESTMENT BANK (WITHOUT ANY LIABILITY TO THE REGISTRAR) TO CONDUCT A COMMERCIALLY REASONABLE SALE OF SUCH NOTES TO A PERSON WHO IS A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER AND, PENDING TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH NOTES OR ANY BENEFICIAL INTEREST THEREIN.

THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), A PLAN WITHIN THE MEANING OF SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED ("**CODE**"), OR ANY OTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW OR AN ENTITY THE UNDERLYING ASSETS OF WHICH ARE CONSIDERED TO INCLUDE THE ASSETS OF SUCH PLANS IF THE ACQUISITION, HOLDING OR DISPOSITION OF THE NOTE WILL CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SUCH LAWS.

EACH HOLDER OF A SENIOR NOTE, A CLASS B NOTE, A CLASS C NOTE OR A CLASS D NOTE, BY ACCEPTING THIS NOTE (OR AN INTEREST IN THE NOTES REPRESENTED HEREBY) IS DEEMED TO REPRESENT AND WARRANT EITHER (I) (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF) AN EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (ERISA), A PLAN DESCRIBED IN SECTION 4975 (E) (1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE CODE), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN PURSUANT TO SECTION 3(42) OF ERISA AND THE PLAN ASSET REGULATION, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR ANY OTHER BENEFIT PLAN INVESTOR (OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE) OR (B) THE PURCHASE AND HOLDING OF THIS NOTE OR AN INTEREST HEREIN DO NOT AND WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR FEDERAL, STATE, LOCAL OR NON-U.S. LAW); AND (II) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH NOTES OR ANY INTEREST THEREIN OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED (OR IF REQUIRED BY THE TRUST DEED, CERTIFIED) TO REPRESENT AND AGREE WITH RESPECT TO ITS PURCHASE AND HOLDING OF SUCH NOTES TO THE SAME EFFECT AS THE PURCHASER'S REPRESENTATION AND AGREEMENT SET

FORTH IN THIS SENTENCE, PROVIDED THAT ANY SWAP TRANSACTION ENTERED INTO BY THE HOLDER OF THE NOTE SHALL NOT BE DEEMED A BREACH OF THIS REPRESENTATION.

EACH HOLDER OF A CLASS E NOTE OR CLASS N NOTE (EACH, AN "**ERISA RESTRICTED NOTE**") WILL BE DEEMED OR REQUIRED IN WRITING, AS APPLICABLE, TO REPRESENT AND WARRANT THAT, DURING THE PERIOD IT HOLDS ANY INTEREST IN AN ERISA RESTRICTED NOTE, IT IS NOT AND IS NOT ACTING ON BEHALF OF (A) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO TITLE I OF ERISA, (B) A PLAN (AS DEFINED IN SECTION 4975(E)(1) OF THE CODE) THAT IS SUBJECT TO SECTION 4975 OF THE CODE AND (C) ANY OTHER ENTITY, INCLUDING WITHOUT LIMITATION, AN INSURANCE COMPANY GENERAL ACCOUNT, WHOSE UNDERLYING ASSETS INCLUDE ASSETS OF THE PLANS DESCRIBED IN (A) OR (B) ABOVE BY REASON OF SUCH PLAN'S INVESTMENT IN THE ENTITY (EACH OF (A), (B) OR (C), A "**PLAN**"). NO PURCHASE BY OR TRANSFER TO A PLAN OF AN ERISA RESTRICTED NOTE WILL BE EFFECTIVE, AND NONE OF THE ISSUER, THE REGISTRAR, ANY TRANSFER AGENT OR THE TRUSTEE WILL RECOGNISE SUCH PURCHASE OR TRANSFER OF AN ERISA RESTRICTED NOTE. IN THE EVENT THAT THE ISSUER DETERMINES THAT ANY ERISA RESTRICTED NOTE IS HELD BY A PLAN, THE ISSUER MAY CAUSE A SALE OR TRANSFER IN THE MANNER DESCRIBED IN THE PROSPECTUS.

THE FOLLOWING INFORMATION IS PROVIDED PURSUANT TO UNITED STATES TREASURY REGULATION SECTION 1.1275-3(b). THE CLASS B NOTES, THE CLASS C NOTES, THE CLASS D NOTES, AND THE CLASS E NOTES HAVE BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE HOLDER OF ANY OF THESE NOTES MAY OBTAIN THE INFORMATION DESCRIBED IN UNITED STATES TREASURY REGULATION SECTION 1.1275-3(b)(1)(i) FROM THE LAW DEBENTURE TRUST CORPORATION P.L.C. AT FIFTH FLOOR, 100 WOOD STREET, LONDON EC2V 7EX.

15. *Investor Representations on Resale*. Except as provided in the remainder of this paragraph, each transferee of a Note will be required to deliver to the Issuer, the Trustee and the Registrar a duly executed transferee certificate in the form of the relevant exhibit attached to the Trust Deed and such other certificates and other information as the Issuer, the Registrar, any Transfer Agent or the Trustee may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Prospectus. An owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification, *provided* that prior to the expiration of the Distribution Compliance Period such transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and only in accordance with the procedures of Euroclear, Clearstream, Luxembourg and DTC, as applicable. An owner of a beneficial interest in a Rule 144A Global Note may transfer such interest in the form of a beneficial interest in such Rule 144A Global Note without the provision of written certification.

    Pursuant to such transferee certificate, (a) the transferee will acknowledge, represent to and agree with the Issuer, the Trustee and the Registrar as to the matters set forth in each of paragraphs (1) through (12) above as if each reference therein to "the purchaser" were instead a reference to the transferee.

16. *Class A1A Notes*. Any purchaser of Class A1A Notes understands that the transfer of the Class A1A Notes is subject to certain restrictions which are more particularly described in the Class A1A Note Purchase Agreement.

GENERAL INFORMATION

1. Clearing Systems

The Notes of each Class (other than the Class A1A Notes) have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The CUSIP, Common Code and International Securities Identification Number ("**ISIN**") for each such Class of Notes are as follows:

	Regulation S ISIN	Regulation S Common Code	Regulation S CUSIP	Rule 144A CUSIP	Rule 144A ISIN	Rule 144A Common Code
Class A1B Notes	XS0300109146	30010914	N37081 AB7	39772R AB0	US39772RAB06	30551826
Class A2 Notes	XS0300109658	30010965	N37081 AC5	39772R AC8	US39772RAC88	30552091
Class B Notes	XS0300110078	30011007	N37081 AD3	39772R AD6	US39772RAD61	30552245
Class C Notes	XS0300111639	30011163	N37081 AE1	39772R AE4	US39772RAE45	30552318
Class D Notes	XS0300112017	30011201	N37081 AF8	39772R AF1	US39772RAF10	30552423
Class E Notes	XS0300112363	30011236	N37081 AG6	39772R AG9	US39772RAG92	30552539
Class N Notes	XS0300112447	30011244	N37081 AH4	39772R AH7	US39772RAH75	30552644

2. Listing

Application will be made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for the prospectus to be approved. Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. The Irish Stock Exchange is a regulated market for the purposes of Directive 93/22/EEC. It is estimated that the total expenses related to the admission to trading are likely to be approximately €21,032. NCB Stockbrokers Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Irish Stock Exchange for the purposes of Directive 2003/71/EC.

3. Consents and Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in The Netherlands (if any) in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the board of Managing Directors of the Issuer passed on 29 June 2007.

4. No Material Change

There has been no material adverse change in the financial position or prospects of the Issuer since its incorporation.

5. No Litigation

The Issuer is not involved, and has not been involved, in any legal or arbitration proceedings or governmental proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had since the date of its incorporation a significant effect on the Issuer's financial position.

6. Accounts

So long as any Note remains Outstanding, copies of the most recent annual financial statements of the Issuer, if published, can be obtained at the specified offices of the Registrar and the other Transfer Agents during normal business hours. The first financial year of the Issuer will end on 31 December 2008. The first financial statements of the Issuer will be in respect of the period from formation to 31 December 2008. The Issuer will not prepare interim financial statements unless required to do so under applicable law.

7. Documents Available

Copies of the following documents together with any amendments and supplements thereto may be inspected (and, in the case of (j) and (k) below, will be available free of charge) at the registered offices of the Issuer and the specified offices of the Irish Paying Agent in electronic form during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the life of the Prospectus:

(a) Articles of Association of the Issuer;

(b) Subscription and Placement Agreement;

(c) Trust Deed (which includes the form of each Note of each Class);

(d) Collateral Management Agreement;

(e) Class A1A Note Purchase Agreement;

(f) Agency Agreement;

(g) Collateral Administration Agreement;

(h) Management Agreement;

(i) each Hedge Agreement;

(j) each Monthly Report;

(k) each Noteholder Valuation Report;

(l) Bank Account Agreement;

(m) Liquidity Facility Agreement; and

(n) Euroclear Pledge Agreement.

INDEX OF DEFINED TERMS

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Amsteldijk 166
1079 LH Amsterdam

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London EC2P 2XY

TRUSTEE

The Law Debenture Trust Corporation p.l.c.
Fifth Floor
100 Wood Street
London EC2V 7EX

ACCOUNT BANK, CUSTODIAN, EXCHANGE RATE AGENT AND PRINCIPAL PAYING AGENT

HSBC Bank plc
8 Canada Square
London E14 5HQ

REGISTRAR, US PAYING AGENT, TRANSFER AGENT AND CAPITAL COMMITMENT REGISTRAR

HSBC Bank USA, N.A.
452 Fifth Avenue
New York, New York 10018

IRISH PAYING AGENT

HSBC Institutional Trust Services (Ireland) Limited
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Harcourt Centre
Harcourt Street
Dublin 2

COLLATERAL ADMINISTRATOR

Law Debenture Asset Backed Solutions Limited
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100 Wood Street
London EC2V 7EX

COLLATERAL MANAGER

Investec Principal Finance,
a business unit division of
Investec Bank (UK) Ltd.
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London EC2V 7QP

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To the Initial Purchaser, the Trustee and the Collateral Administrator as to English and U.S. Law

Cadwalader, Wickersham & Taft LLP
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