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Under no circumstances shall this offering circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer,

solicitation or sale would be unlawful. This offering circular may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

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HIGH TIDE CDO I S.A.

(a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register under number B92.938)

EUR 54,500,000 Class A Senior Secured Floating Rate Notes due 2040
Issue Price: 100 per cent.

EUR 17,000,000 Class B Senior Secured Floating Rate Notes due 2040
Issue Price: 100 per cent.

EUR 29,000,000 Class C Senior Secured Floating Rate Notes due 2040
Issue Price: 100 per cent.

Linked to a portfolio of asset-backed securities managed by ZAIS Group Investment Advisors Limited

High Tide CDO I S.A. (the "**Issuer**") will issue EUR 54,500,000 Class A Senior Secured Floating Rate Notes due 2040 (the "**Class A Notes**"), EUR 17,000,000 Class B Senior Secured Floating Rate Notes due 2040 (the "**Class B Notes**") and EUR 29,000,000 Class C Senior Secured Floating Rate Notes due 2040 (the "**Class C Notes**") and, together with the Class A Notes and the Class B Notes, the "**Notes**") on 11th June, 2003 (the "**Issue Date**").

All capitalised terms defined in this Offering Circular are referenced in the index of terms at the end of this document.

The Notes are secured, limited recourse obligations of the Issuer. Payments in respect of the Notes are made solely from the assets securing the Notes (the "**Mortgaged Property**"). The principal assets comprising the Mortgaged Property are (i) the Issuer's rights under a portfolio credit default swap transaction (the "**Credit Default Swap**") entered into on the Issue Date between the Issuer and Citibank, N.A., London Branch (in such capacity, the "**Swap Counterparty**") referencing a portfolio (the "**Reference Portfolio**") of reference obligations as described therein, (ii) the Issuer's rights under a portfolio management agreement (the "**Portfolio Management Agreement**") entered into on the Issue Date between, *inter alios*, the Issuer and ZAIS Group Investment Advisors Limited (the "**Portfolio Manager**") in respect of the Reference Portfolio, (iii) the Deposit Account Agreement (as defined herein) and (iv) the Account Agreement (as defined herein).

No principal repayment is scheduled until the Scheduled Maturity Date (as defined herein). However, the Notes may be redeemed early as a result of a Note Event of Default, a Credit Default Swap Redemption Event, an Optional Redemption Event, a Taxation Redemption Event or a Mandatory Redemption Event (each as defined herein). Additionally, the principal amount of the Notes will automatically reduce (without any repayment), in inverse order of seniority, by an amount equal to the Net Aggregate Loss (as defined herein) in respect of each Reference Obligation which is subject to a Credit Event and for which the Conditions to Payment have been satisfied in the Notice Delivery Period (each as defined herein).

Subject as set out below and as more fully described in Condition 5 (*Interest*), interest will accrue in respect of EURIBOR (as defined herein) on the Aggregate Outstanding Principal Amount (as defined herein) and on the margin in respect of the Adjusted Aggregate Outstanding Principal Amount (as defined herein). Accordingly, each Class (as defined herein) of Notes will bear interest at a floating rate equal to (i) in the case of the Class A Notes, three-month EURIBOR plus a margin of 0.63 per cent. per annum, (ii) in the case of the Class B Notes, three-month EURIBOR plus a margin of 1.00 per cent. per annum, and (iii) in the case of the Class C Notes, three-month EURIBOR plus a margin of 2.25 per cent. per annum. Interest will be payable quarterly in arrear on the 15th day of each February, May, August and November of each year, commencing on 15th August, 2003 up to and including 15th May, 2010 at the rates described above and, thereafter, (i) in the case of the Class A Notes, three-month EURIBOR plus a margin of 1.89 per cent. per annum, (ii) in the case of the Class B Notes, three-month EURIBOR plus a margin of 3.00 per cent. per annum, and (iii) in the case of the Class C Notes, three-month EURIBOR plus a margin of 6.75 per cent. per annum up to and including 15th February, 2040 (subject to adjustment in accordance with the Modified Following Business Day Convention) (the "**Scheduled Maturity Date**"). From and including the Margin Termination Date (as defined herein) to and including the date of redemption, each Class of Notes shall bear interest at EURIBOR only. If any such day referred to in this paragraph is not a Business Day (as defined herein), such day shall be subject to adjustment in accordance with the Business Day Convention (as defined herein) (each, an "**Interest Payment Date**"). In certain circumstances described herein, the date of final redemption of the Notes may be postponed to a date not later than 15th December, 2043 (subject to adjustment in accordance with the Modified Following Business Day Convention) (such date, the "**Legal Maturity Date**"). Payments of principal and interest on the Notes will be made subject to any tax, including withholding tax, applicable to the Notes. Except in certain circumstances described herein, the Issuer will not be obliged to pay any additional amounts as a consequence of any such tax.

Citigroup

11th June, 2003

It is a condition to the issuance of the Notes that Moody's Investors Service Ltd. ("**Moody's**") and Fitch Ratings Ltd. ("**Fitch**" and, together with Moody's, the "**Rating Agencies**") each assigns a minimum rating to each Class of Notes as follows:

Class of Notes	Moody's Rating	Fitch Rating
Class A Notes	Aaa	AAA
Class B Notes	Aa1	AA+
Class C Notes	A3	A

The ratings assigned to the Notes address the timely payment of interest and ultimate repayment of principal in relation to the Notes. A 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 assigning rating agency.

Each Class of Notes will initially be represented by a Temporary Global Note (as defined herein), without interest coupons, which will be deposited with a common depository on behalf of Clearstream Banking, société anonyme and Euroclear Bank S.A./N.V. as operator of the Euroclear System on or about the Issue Date. Each Temporary Global Note will, upon certification as to non-U.S. beneficial ownership, be exchangeable for interests in a Permanent Global Note (as defined herein), without interest coupons, on or after a date which is expected to be 21st July, 2003. Each Permanent Global Note will be exchangeable for definitive Notes in bearer form only in the limited circumstances set out in this Offering Circular.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND, CONSEQUENTLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("**REGULATION S**")), EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION THEREFROM. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND ON THE DISTRIBUTION OF THIS OFFERING CIRCULAR, SEE "**SUBSCRIPTION AND SALE**" BELOW.

SEE "*RISK FACTORS AND WARNINGS*" BELOW FOR A NON-EXCLUSIVE LIST OF FACTORS TO CONSIDER BEFORE INVESTING IN THE NOTES.

Initial Purchaser

Citigroup

The date of this Offering Circular is 11th June, 2003.

Prior to the listing of the Notes on the Luxembourg Stock Exchange a legal notice (*notice légale*) as well as a copy of the articles of incorporation of the Issuer will have been filed with the Luxembourg trade and companies register (*registre de commerce et des sociétés de Luxembourg*) (where a copy of such notice and of the articles of incorporation may be examined and copies obtained by the public) in accordance with articles 33 and 80 of the Luxembourg act dated 10th August, 1915 concerning commercial companies, as amended (the "**Companies Act 1915**").

This Offering Circular has been prepared by the Issuer solely for use in connection with the offering of the Notes herein. Except in respect of the information in the sections entitled "*Information relating to Citibank, N.A., London Branch*" and "*Information relating to the Portfolio Manager*", the Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains all information with regard to the Issuer and the Notes that is material in the context of the issue and offering of the Notes, that such information contained in this Offering Circular is true and accurate in every material respect and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which makes misleading any statement contained herein, whether of fact or opinion. The Issuer accepts responsibility for such information contained in this Offering Circular accordingly. The Swap Counterparty accepts responsibility for the information in the section entitled "*Information relating to Citibank, N.A., London Branch*". The Portfolio Manager accepts responsibility for the information in the section entitled "*Information relating to the Portfolio Manager*".

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein is correct at any time subsequent to the date hereof.

EXCEPT AS OTHERWISE PROVIDED IN THE CONDITIONS, NONE OF THE SWAP COUNTERPARTY, THE DEPOSIT ACCOUNT BANK, THE ACCOUNT BANK, THE PORTFOLIO MANAGER, THE PORTFOLIO ADMINISTRATOR, THE CUSTODIAN, THE PAYING AGENTS, THE NOTE CALCULATION AGENT, THE TRUSTEE, THE INITIAL PURCHASER (EACH AS DEFINED HEREIN) OR ANY AFFILIATES OF ANY OF THE FOREGOING PERSONS OR ANY OF THE SECURITYHOLDERS, MEMBERS, OFFICERS, DIRECTORS, MANAGERS OR INCORPORATORS OF ANY OF THE FOREGOING PERSONS OR OF THE ISSUER (COLLECTIVELY, THE "TRANSACTION PARTIES") IS OBLIGED TO DISCLOSE TO EACH OTHER OR TO ANY OTHER PERSON, INCLUDING NOTEHOLDERS, ANY INFORMATION AT ANY TIME OF WHICH IT IS AWARE CONCERNING THE REFERENCE PORTFOLIO, THE REFERENCE OBLIGATIONS (AS DEFINED HEREIN) OR THE ABILITY OR INTENTION OF THE OBLIGORS THEREOF TO PAY THEIR OBLIGATIONS WHEN DUE OR OTHERWISE.

THE NOTES ARE SECURED, LIMITED RECOURSE OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY OUT OF THE MORTGAGED PROPERTY TO THE EXTENT DESCRIBED HEREIN. UPON ENFORCEMENT OF THE SECURITY HELD BY THE TRUSTEE, PAYMENTS ON THE NOTES WILL BE LIMITED TO THE PROCEEDS OF SUCH MORTGAGED PROPERTY REALISED BY SUCH ENFORCEMENT AND AVAILABLE FOR SUCH PAYMENT, AS DESCRIBED HEREIN. PAYMENT OBLIGATIONS IN RESPECT OF THE NOTES ARE SUBJECT TO THE PRIOR CLAIMS OF THE TRUSTEE, THE AGENTS AND (IN CERTAIN CIRCUMSTANCES) THE SWAP COUNTERPARTY, AS DESCRIBED HEREIN. ACCORDINGLY, HOLDERS OF THE NOTES WILL BE EXPOSED TO THE CREDIT RISK OF THE REFERENCE OBLIGATIONS COMPRISING THE REFERENCE PORTFOLIO TO THE FULL EXTENT OF THEIR INVESTMENT IN THE NOTES. BY SUBSCRIBING TO OR OTHERWISE ACQUIRING THE NOTES, THE NOTEHOLDERS EXPRESSLY ACKNOWLEDGE AND ACCEPT OR ARE DEEMED TO ACKNOWLEDGE AND ACCEPT THE RISKS RELATING TO THE NOTES (INCLUDING, WITHOUT LIMITATION, THE LIMITED RECOURSE AND NON PETITION PROVISIONS). THE NOTES ARE NOT OBLIGATIONS OR RESPONSIBILITIES OF, NOR ARE THEY GUARANTEED BY, ANY OTHER PERSON, INCLUDING, WITHOUT LIMITATION, ANY TRANSACTION PARTY. IN ADDITION, THE NOTES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, ANY GOVERNMENTAL AGENT OR ANY TRANSACTION PARTY.

ANY RATING OF THE SWAP COUNTERPARTY DOES NOT APPLY TO THE NOTES.

No person is authorised by the Issuer, the Trustee or the Initial Purchaser to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Trustee or the Initial Purchaser.

Purchasers of Notes should conduct such independent investigation and analysis regarding the Issuer, the Swap Counterparty, the Portfolio Manager, the Deposit Account Bank, the Custodian, the Account Bank, the Swap Agreement (each as defined herein), the Deposit Account Agreement, the Account Agreement, the Mortgaged Property, the Reference Portfolio, the Asset Specific Criteria, the Reference Portfolio Guidelines (each as defined herein), the Notes and the security arrangements with respect thereto, and the validity and enforceability of the Credit Default Swap as they deem appropriate to evaluate the merits and risks of an investment in the Notes. Except as aforesaid, none of the Transaction Parties makes any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied in connection with the Notes or accepts any responsibility or liability therefor.

This Offering Circular does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken by the Issuer or any of the Transaction Parties to permit an offering of the Notes or the distribution of this Offering Circular in any jurisdiction where such action is required.

The Notes may not be offered or sold to the public in the Grand Duchy of Luxembourg.

IN CONNECTION WITH THE ISSUE OF THE NOTES, CITIGROUP GLOBAL MARKETS LIMITED OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, NEITHER CITIGROUP GLOBAL MARKETS LIMITED NOR ANY AGENT IS OBLIGED TO DO SO. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

References in this document to "U.S.\$", "\$", "U.S. Dollar", "USD" or "dollar" are to the lawful currency of the United States of America. References to "£", "GBP", "Pounds Sterling" or "Sterling" are to the lawful currency of the United Kingdom. In addition, references to "EUR", "euro" or "€" refer to the currency introduced at the start of the third stage of European economic and monetary union on 1st January, 1999 pursuant to the Treaty establishing the European Community, as amended.

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SUMMARY OF THE NOTES

The following summary does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Offering Circular and the documents referred to herein.

Issuer: High Tide CDO I S.A., a newly formed public limited liability company (*société anonyme*) established under the laws of the Grand Duchy of Luxembourg. The corporate objects of the Issuer include a range of permitted activities; however, the activities of the Issuer will be restricted under the terms of the Trust Deed (as defined herein) to, among other things, matters incidental to its incorporation, issuing the Notes and entering into the Swap Agreement, the Portfolio Management Agreement, the Portfolio Administration Agreement, the Deposit Account Agreement, the Account Agreement, the Custody Agreement (each as defined herein) and certain other agreements incidental thereto.

Classes of Notes: The Issuer will issue notes consisting of three classes (each, a "**Class**" or "**Class of Notes**") in an initial aggregate principal amount per Class ("**Initial Principal Amount**") as follows:

<u>Class</u>	<u>Initial Principal Amount</u>
Class A Notes	EUR 54,500,000
Class B Notes	EUR 17,000,000
Class C Notes	EUR 29,000,000

The Aggregate Outstanding Principal Amount (as defined in Condition 7 (*Redemption*)) of each Class of Notes is subject to reduction (without any repayment) in inverse order of seniority in respect of each Reference Obligation in the Reference Portfolio which is subject to a Credit Event and for which the Conditions to Payment have been satisfied in the Notice Delivery Period under the Swap Agreement. See Condition 7 (*Redemption*).

Initial Maximum Aggregate Notional:

On the Issue Date, the Maximum Aggregate Notional (as defined herein) shall be EUR1,000,000,000.

Ratings:

It is a condition to the issuance of the Notes that the Rating Agencies assign the minimum ratings set forth below to each Class of Notes respectively.

<u>Class</u>	<u>Moody's rating</u>	<u>Fitch rating</u>
Class A Notes	Aaa	AAA
Class B Notes	Aa1	AA+
Class C Notes	A3	A

References to Moody's, Fitch or the Rating Agencies include any successor to Moody's or Fitch, as the case may be.

The ratings assigned to the Notes address the timely payment of interest and ultimate repayment of principal in relation to the Notes. A 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 assigning Rating Agency.

Ramp-Up Rating Confirmation:

The Issuer will, on or as soon as reasonably practicable after the Reporting Date (as such term is defined herein) falling in February, 2004, or an earlier date as determined by the Portfolio Manager (such date, the "**Ramp-Up Period End Date**") procure that each of the Rating Agencies confirms the ratings of the Notes (such confirmation by each Rating Agency, a "**Rating Agency Confirmation**", and together, the "**Ramp-Up Rating Confirmation**"). In the event that the Ramp-Up Rating Confirmation is not obtained, then for so long as the Ramp-Up Rating Confirmation remains outstanding, no Replenishment (as defined herein) will be permitted in relation to the Reference Portfolio, although Removals (as defined herein) may be effected. The date on which the Ramp-Up Rating Confirmation is obtained shall be the "**Ramp-Up Rating Confirmation Date**".

The Maximum Aggregate Notional of the Reference Portfolio shall be permanently reduced to the amount specified by each Rating Agency as being the amount, subject to which the Ramp-Up Rating Confirmation has been issued by both Rating Agencies (or if Fitch and Moody's specify different amounts, the lower of such amounts).

Issue Price:

Each Class of Notes will be issued at an issue price of 100 per cent of the Initial Principal Amount of such Class.

Issue Date:

11th June, 2003.

Maturity Date:

Unless previously redeemed or repaid, 15th February, 2040, subject to adjustment in accordance with the Modified Following Business Day Convention (the "**Scheduled Maturity Date**"), subject as described in "Postponement of Redemption Date" below.

See Condition 7(a) (*Redemption - Redemption at maturity*) and Condition 7(f) (*Redemption - Postponement of redemption date*).

Interest on the Notes:

Interest will be payable quarterly in arrear on each Interest Payment Date in an amount of euro determined by the Note Calculation Agent equal to the sum of:

- (i) the product of (a) the daily weighted average of the Aggregate Outstanding Principal Amount in respect of the relevant Class of Notes, (b) the relevant Base Rate (as defined herein) for such Interest Period (as defined herein) and (c) the Day Count Fraction (as defined herein); and
- (ii) the product of (a) the daily weighted average of the Adjusted Aggregate Outstanding Principal Amount (as

defined in Condition 5 (*Interest*) in respect of the relevant Class of Notes in such Interest Period, (b) the relevant Spread (as defined herein) for such Interest Period and (c) the Day Count Fraction,

as more particularly described in Condition 5(a) (*Interest-Calculation of interest*).

"Margin Termination Date" means the earliest to occur of: (a) the Scheduled Maturity Date, (b) the Optional Maturity Date (as defined herein), (c) the first Fixed Rate Payer Payment Date (as defined herein) as of which the aggregate of the Tranche A Amount, the Tranche B Amount and the Tranche C Amount (each as defined herein) is reduced to zero and (d) the Early Termination Date (as defined in the Swap Agreement).

"Spread" means a per annum percentage as determined by the Note Calculation Agent (taking into account any reduction in accordance with sub-paragraph (z) below) equal to:

- (x) subject to sub-paragraph (z) below, in relation to the Interest Periods from and including that commencing on the Issue Date to and including the Interest Period ending on the Interest Payment Date falling in May 2010:
 - (a) in respect of the Class A Notes, 0.63 per cent.;
 - (b) in respect of the Class B Notes, 1.00 per cent.; and
 - (c) in respect of the Class C Notes, 2.25 per cent.;
- (y) subject to sub-paragraph (z) below, in relation to the Interest Periods from and including that commencing on the Interest Payment Date falling in May 2010 to and including the Interest Period ending on the Scheduled Maturity Date:
 - (a) in respect of the Class A Notes, 1.89 per cent.;
 - (b) in respect of the Class B Notes, 3.00 per cent.; and
 - (c) in respect of the Class C Notes, 6.75 per cent.;
- (z) in relation to the Interest Periods from and including that commencing on the Margin Termination Date to and including the Interest Period ending on the date of postponed redemption, in respect of each Class of Notes, zero per cent.

For the avoidance of doubt, in the event that sub-paragraph (z) becomes applicable, the Spread shall be reduced as from the Margin Termination Date and the Interest Amount (as defined herein) for such Interest Period shall be calculated accordingly by the Note Calculation Agent.

- Base Rate:* "Base Rate" means EURIBOR, as more particularly described in Condition 5(a)(ii) (*Interest - Rates of Interest and Interest Amounts*).
- "EURIBOR" means in respect of each Interest Period, the rate for deposits in euro for a period of three months which appears on the Moneyline Telerate Page 248 as of 11:00 a.m., Brussels time, on the day that is two TARGET Settlement Days (as defined herein) preceding the first day of such Interest Period save for the first Interest Period, where EURIBOR shall be 2.142 per cent. per annum.
- Interest Payment Dates:* With respect to a Note, the 15th day of each February, May, August and November of each year (subject to adjustment in accordance with the Modified Following Business Day Convention), commencing on 15th August, 2003 and ending on the date on which such relevant Note is subject to a full redemption.
- Interest Periods:* Each period from (and including) an Interest Payment Date (or, as the case may be, the Issue Date) to (but excluding) the next (or, as the case may be, the first) Interest Payment Date. For the avoidance of doubt, the first Interest Period shall be from, and including, the Issue Date to, but excluding, the Interest Payment Date falling in August 2003. Accordingly a short first coupon (based on the linear interpolation of two months and three months) shall be paid by the Issuer in respect of the Notes.
- Business Days:* London, New York, Dublin and TARGET Settlement Days.
- Redemption:* The Notes will be redeemed on the Scheduled Maturity Date unless redeemed earlier as a result of a Note Event of Default, a Credit Default Swap Redemption Event, an Optional Redemption Event, a Taxation Redemption Event or a Mandatory Redemption Event or subject to a postponement of redemption.
- Redemption Amounts:* Unless redeemed earlier and subject as provided in "*Postponement of Redemption Date*" below, each Class of Notes will be redeemed on the Scheduled Maturity Date at its Aggregate Outstanding Principal Amount, being (i) an amount equal to the Initial Principal Amount of such Class of Notes reduced (x) by an amount equal to the aggregate of redemption amounts paid in respect of such Class of Notes prior to such date, and/or (y) in accordance with the Loss Allotment Order, by the Net Aggregate Loss (each as defined in Condition 7 (*Redemption*)) on such date in respect of Credit Events under the Swap Agreement, or (ii) if greater, zero. Reductions pursuant to the Loss Allotment Order will be effective on each Loss Effective Date (as defined herein), being each date on which a Floating Amount (as defined in the Swap Agreement) is determined.
- Loss Threshold:* EUR 27,000,000.

Note Events of Default:

(a) Non-payment of any amounts due in respect of the Notes (upon expiry of a seven Business Day grace period), (b) the Issuer fails to perform or observe any of its other obligations under the Notes or the Trust Deed (the breach of which obligation the Trustee shall have certified to be in its opinion materially prejudicial to the interests of the Noteholders, and for this purpose, an Issuer Failure to Pay Event (as defined in the Deposit Account Agreement) will in all cases be deemed to be so materially prejudicial) and such failure continues for a period of 15 Business Days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied, (c) the occurrence of an Event of Default (as defined in the Swap Agreement) in respect of the Swap Counterparty under the Swap Agreement, (d) the occurrence of either of a Deposit Failure to Pay Event (as defined in the Deposit Account Agreement) or a Deposit Downgrade Event (as defined in the Deposit Account Agreement) in respect of the Deposit Account Bank under the Deposit Account Agreement, or (e) any order being made by any competent court or any resolution being passed for the winding-up or dissolution of the Issuer including, without limitation, bankruptcy (*faillite*), insolvency, liquidation (*liquidation*), composition with creditors (*concordat préventif de faillite*), moratorium or reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), fraudulent conveyance (*actio pauliana*), general settlement with creditors, reorganisation or similar laws affecting the rights of creditors generally (save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangements on terms approved in advance by the Trustee or by an Extraordinary Resolution (as defined herein) of Noteholders). See Condition 9 (*Events of Default*). If a Note Event of Default occurs, the Notes shall be redeemed in accordance with Condition 9 (*Events of Default*) in an amount determined pursuant to the application of the Post-Enforcement Priority of Payments (as defined herein).

Credit Default Swap Redemption Event:

The designation or occurrence of an Early Termination Date under, and as defined in, the Swap Agreement. See Condition 7(b) (*Redemption - Redemption upon termination of the Credit Default Swap*). If a Credit Default Swap Redemption Event (as defined herein) occurs, the Notes shall be redeemed in accordance with Condition 7 (*Redemption*) in an amount determined pursuant to application of the Post-Enforcement Priority of Payments (if the Notes are redeemed pursuant to Conditions 9 (*Events of Default*) and 10 (*Enforcement of Security*)) or pursuant to application of the Pre-Enforcement Priority of Payments: Principal Waterfall (as defined herein) (in each other case).

Optional Redemption Event:

If the Swap Counterparty exercises its right to terminate the Swap Agreement by designating as an Optional Maturity Date thereunder the Interest Payment Date falling in May 2010, the Issuer shall notify the Noteholders of such designation by the Swap Counterparty not less than 5 nor more than 10 days prior to such date in accordance with Condition 13 (*Notices*) (with

copies of such notice to the Principal Paying Agent, the Account Bank, the Portfolio Administrator, the Portfolio Manager, the Trustee, the Note Calculation Agent, the Deposit Account Bank, the Custodian, the Rating Agencies and (for so long as the Notes are listed on the Luxembourg Stock Exchange) the Luxembourg Stock Exchange), and the Issuer shall, subject to Condition 7(f) (*Redemption - postponement of redemption date*), redeem, on the Interest Payment Date falling on such Optional Maturity Date, each Class of Notes at an amount equal to its then Aggregate Outstanding Principal Amount, together with interest accrued to (but excluding) the Interest Payment Date designated for redemption, in accordance with the Pre-Enforcement Priority of Payments: Principal Waterfall. See Condition 7(c) (*Redemption – Optional Maturity Date under the Credit Default Swap*).

Mandatory Redemption Event:

If the Adjusted Outstanding Notional Amount (as defined herein) of the Reference Portfolio is reduced below the Amortisation Threshold (as defined herein) as a consequence of a Removal or an amortisation or repayment (whether in whole or in part) of one or more Reference Obligations or allocation of any Recovery Balance (as defined in the Swap Agreement) (such reduction, the "**Reduction**"), the Note Calculation Agent shall calculate the Notes Amortisation Amount (as defined herein) and notify the Issuer. The Issuer shall redeem, on a *pro rata* basis, the Notes in order of seniority on the Mandatory Redemption Date in an amount equal to the Notes Amortisation Amount. See Condition 7(d) (*Redemption - Mandatory Redemption*).

Taxation Redemption Event:

If the Issuer on the occasion of the next following Interest Payment Date would be required by law to withhold or account for tax on payments made under the Swap Agreement or would suffer tax in respect of payments under the Swap Agreement and/or the Deposit Account Agreement (as the case may be) or would receive net of tax any payment made pursuant to the Swap Agreement and/or the Deposit Account Agreement (as the case may be) or would be required by law to withhold or account for tax in relation to payments made by it in respect of the Notes, so that, in each case, it would be unable to make payment of the full amount payable on the Notes, the Issuer shall, in consultation with the Portfolio Manager, the Deposit Account Bank and the Swap Counterparty, use its reasonable endeavours to arrange the substitution as the principal debtor in relation to the Notes, as counterparty under the Swap Agreement and as account holder under the Deposit Account Agreement (as the case may be) of a company, approved in writing by the Trustee, the Swap Counterparty and the Deposit Account Bank (such approval by the Swap Counterparty and the Deposit Account Bank not to be unreasonably withheld or delayed), incorporated or resident for tax purposes in another jurisdiction wherein such withholding or deduction would not be applicable, or such tax would not be accountable or suffered (subject to confirmation from the Rating Agencies that there would be no adverse change to the credit ratings then assigned

to the Notes by the Rating Agencies).

If up to (but excluding) the 15th Business Day prior to the next following Interest Payment Date the Issuer has not been able to arrange such substitution, the Swap Counterparty shall have the right under the Swap Agreement to pay to the Issuer such amounts as will enable the Issuer (after any such withholding, accounting or suffering) to pay and, in such event, the Issuer will be obliged to pay to the Noteholders the amounts which they would have received in the absence of such withholding, accounting or suffering.

If the Swap Counterparty does not exercise such right before the tenth Business Day prior to the next following Interest Payment Date, and the Noteholders of the Controlling Class of Notes (as defined herein) have passed an Ordinary Resolution (as defined in the Conditions) instructing the Issuer to redeem the Notes on the next following Interest Payment Date, the Issuer will redeem all the Notes of each Class then outstanding on the next following Interest Payment Date at their Aggregate Outstanding Principal Amount plus interest accrued thereon to (but excluding) such Interest Payment Date.

See Condition 7(e) (*Redemption – Redemption for taxation reasons*).

Postponement of Redemption Date:

If as of the third Business Day immediately preceding (i) the Scheduled Maturity Date or (ii) the Optional Maturity Date (as defined herein):

- (A) a Credit Event has occurred with respect to the Swap Agreement and all the Conditions to Payment in respect thereof have been satisfied but any Floating Amount relating thereto will remain outstanding (which for this purpose shall mean either not paid or not determined) after the relevant date of redemption (each such outstanding amount, an "**Unsettled Swap Amount**"), then (x) the amount available for application in redemption of the Notes on the relevant scheduled date of redemption will be reduced (in inverse order of seniority), in respect of all Reference Obligations to which an Unsettled Swap Amount applies, by a sum in euro being the aggregate of the lower of (i) the Outstanding Principal Amount and (ii) the Floating Amount (if already determined) of all such Reference Obligations (such sum, to the extent it would result in (or increase, as the case may be) a positive Net Aggregate Loss, a "**Deferred Redemption Amount**") (and Notes having an Aggregate Outstanding Principal Amount equal to the Deferred Redemption Amount shall accordingly remain outstanding and shall continue to bear interest at the Base Rate (as defined below) only) and (y) such Notes of each Class remaining outstanding thereafter will be redeemed on each following Floating Rate Payer Payment Date (as defined herein) together with

interest accrued thereon at the Base Rate and/or the Aggregate Outstanding Principal Amount thereof will be reduced on each following Loss Effective Date (as defined herein) until the Aggregate Outstanding Principal Amount of each Class of Notes is reduced to zero; or

- (B) a Potential Failure to Pay (as defined herein) has occurred with respect to the Swap Agreement and in relation thereto a Notice Delivery Period will expire on a day falling on or after the relevant scheduled date of redemption, then the scheduled date of redemption will be postponed (and the outstanding Notes shall continue to bear interest at the Base Rate only), and if on the expiry of the latest such Notice Delivery Period:
 - (x) the Conditions to Payment with respect to the Swap Agreement remain unsatisfied, each Note will be redeemed at its respective Outstanding Note Principal Amount on the first Interest Payment Date following the expiry of such latest Notice Delivery Period (the "**Postponed Redemption Date**"); or
 - (y) the Conditions to Payment with respect to the Swap Agreement have been satisfied, then (1) the Notes will be subject to redemption on the Postponed Redemption Date, (2) the amount available for application in redemption of the Notes on the Postponed Redemption Date will be reduced by the Deferred Redemption Amount (and Notes having an Aggregate Outstanding Principal Amount equal to the Deferred Redemption Amount shall accordingly remain outstanding and shall continue to bear interest at the Base Rate only) and (3) the Notes of each Class remaining outstanding thereafter will be redeemed on each following Floating Rate Payer Payment Date together with interest accrued thereon at the Base Rate and/or the Aggregate Outstanding Principal Amounts thereof will be reduced on each following Loss Effective Date until the Aggregate Outstanding Principal Amount of each Class of Notes is reduced to zero.

The final redemption date of the Notes will be a date not later than 15th December, 2043, subject to adjustment in accordance with the Modified Following Business Day Convention (such date, the "**Legal Maturity Date**").

In the event that an amount of Notes equal to the Deferred Redemption Amount is subject to postponed redemption in accordance with Condition 7(f) (*Redemption - Postponement of redemption date*), interest will accrue on such Notes from the Scheduled Maturity Date or the Optional Maturity Date, as the case may be at the Base Rate only.

See Condition 7(f) (*Redemption - Postponement of redemption date*).

Secured Parties:

The Trustee (for itself and as trustee for and, for the purposes of Luxembourg law (if applicable), as agent (*mandataire*) acting in the name of and on behalf of the other secured parties), the Noteholders, the Swap Counterparty, the Portfolio Manager, the Portfolio Administrator, the Custodian, the Deposit Account Bank, the Account Bank, the Custodian, the Initial Purchaser, the Domiciliation Agent and the Agents (together, the "**Secured Parties**").

Enforcement:

The security for the Notes and other obligations of the Issuer may be enforceable by the Trustee only upon a Note Event of Default as described in Condition 9 (*Events of Default*).

Mortgaged Property:

The Swap Agreement, the Portfolio Management Agreement, the Portfolio Administration Agreement, the Deposit Account Agreement, the Account Agreement, the Custody Agreement and such additional rights and entitlements as are more particularly described in Condition 3(a) (*Security – Security Interests*).

Portfolio Manager:

ZAIS Group Investment Advisors Limited (see "*Information relating to the Portfolio Manager*").

Portfolio Management Agreement:

The Portfolio Manager will enter into the Portfolio Management Agreement with, *inter alios*, the Issuer. Pursuant to the Portfolio Management Agreement, the Portfolio Manager will provide certain day-to-day advisory and management services to, and perform certain day-to-day management functions for the Issuer in relation to the Reference Portfolio and, where applicable, the Deposit Collateral (as defined herein) (see "*Information relating to the Portfolio Management Agreement*").

Portfolio Administrator:

Deutsche Bank AG London (the "**Portfolio Administrator**").

Portfolio Administration Agreement:

The Portfolio Administrator will enter into a portfolio administration agreement (the "**Portfolio Administration Agreement**") with, *inter alios*, the Issuer, the Portfolio Manager and the Trustee. Pursuant to the Portfolio Administration Agreement, the Portfolio Administrator will perform certain administrative functions for the Issuer in relation to the Reference Portfolio and, where applicable, the Deposit Collateral, including, without limitation, the production of the Portfolio Reports (as described in the immediately following paragraph). The Portfolio Administration Agreement will also provide that, where (a) the Calculation Agent (as

defined in the Swap Agreement) has determined that a reduction in the principal balance or principal amount of a Reference Obligation (as a result of the allocation of any loss amount) may not be reversed, and (b) if a portfolio manager is not at such time appointed pursuant to the Portfolio Management Agreement, the Portfolio Administrator shall (subject to it having received all relevant information (including, without limitation, details of any corporate actions and any relevant defaulted assets) from the Calculation Agent) provide such confirmation to the Swap Counterparty.

Portfolio Reports:

The Portfolio Administrator shall, in accordance with the Portfolio Administration Agreement, on behalf of the Issuer and in consultation with the Portfolio Manager, no later than the fifth Business Day following each Reporting Date (and on the basis of having received the relevant information from the Portfolio Manager no later than each Reporting Date), compile and deliver to the Trustee, the Swap Counterparty, the Portfolio Manager and each Rating Agency and to the Noteholders (in accordance with Condition 13 (*Notices*)) a monthly report in respect of the calendar month ending on such Reporting Date (each a "**Portfolio Report**") in the form set out in "*Form of Portfolio Report*" below. Each Portfolio Report can also be obtained at the specified office of each of the Paying Agents.

Notice of Loss Amount Calculation:

The Calculation Agent under the Swap Agreement shall, in accordance with the Swap Agreement, no later than the third Business Day preceding a Floating Rate Payer Payment Date, compile and deliver to the Issuer and the Swap Counterparty a report (the "**Notice of Loss Amount Calculation**") containing, *inter alia*, details of the relevant Reference Obligation, Loss Amount, Valuation Date, Price Determination Date, Final Price, Associated Entity (each as defined herein) and Floating Amount. A copy of each Notice of Loss Amount Calculation will be delivered to the Noteholders (in accordance with Condition 13 (*Notices*)) and can also be obtained at the specified office of each of the Paying Agents.

Loss Allocation Notice:

The Issuer shall send the Notice of Loss Amount Calculation to the Note Calculation Agent, who will, on the basis of the information contained therein and within one Business Day of receipt thereof, calculate the Aggregate Loss (as defined herein), the Net Aggregate Loss and the Aggregate Outstanding Principal Amount of each Class of Notes and shall notify the Issuer and the Portfolio Administrator accordingly (such notice, the "**Loss Allocation Notice**"). The Issuer shall deliver to the Trustee, each Rating Agency, the Swap Counterparty, the Portfolio Manager and to the Noteholders (in accordance with Condition 13 (*Notices*)) the Notice of Loss Amount Calculation together with the Loss Allocation Notice no later than the second Business Day preceding a Floating Rate Payer Payment Date. Each Loss Allocation Notice will be delivered to the Noteholders (in accordance with Condition 13 (*Notices*)) and can also be obtained at the specified office of each of the Paying Agents.

Deposit Account Agreement:

The Issuer shall enter into a deposit account agreement (the "**Deposit Account Agreement**") with, *inter alios*, the Deposit Account Bank pursuant to which the Issuer shall place the proceeds of the issue of the Notes on deposit with the Deposit Account Bank.

The Deposit Account Agreement will provide that the Deposit Account Bank shall repay the deposit (or any part thereof) upon two Business Days' notice from the Issuer.

The Deposit Account Agreement will also provide that, if the Deposit Account Bank fails to satisfy the Minimum Ratings Requirement (as defined herein), it shall, within 15 calendar days of such downgrade, either deliver Deposit Collateral consisting of the Eligible Securities (as defined herein) by way of title transfer to the Issuer pursuant to the Deposit Account Agreement or transfer the balance of the Deposit Account and interest accrued thereon (as determined in accordance with the Deposit Account Agreement) to another bank or financial institution which meets the Minimum Ratings Requirement and which shall agree to be bound by substantially the same obligations as the Deposit Account Bank under the Deposit Account Agreement. "**Minimum Ratings Requirement**" means (a) a long-term unsecured and unsubordinated debt rating of at least "A1" by Moody's and (b) a short-term unsecured and unsubordinated debt rating of at least "P-1" by Moody's and "F1+" by Fitch.

The Deposit Account Agreement will also provide that if the short-term unsecured and unsubordinated debt rating of the Deposit Account Bank falls below "P-2" by Moody's and/or "F1" by Fitch, the Deposit Account Bank shall, in consultation with the Issuer, within 30 Business Days of such downgrade, transfer the balance of the Deposit Account and interest accrued thereon (as determined in accordance with the Deposit Account Agreement) to another bank or financial institution which meets the conditions in the immediately preceding paragraph.

If the Deposit Account Bank fails to comply with its obligations in the above two paragraphs, the Issuer shall designate an account termination date under the Deposit Account Agreement whereupon the amounts standing to the credit of the Deposit Account shall be immediately due and repayable in accordance with the terms thereof.

See "*Information relating to the Deposit Account Agreement*".

Deposit Account:

The following account in the name of the Issuer held with the Deposit Account Bank: bank account number 101 36190 designated "High Tide CDO I Deposit Account" (such account and any replacement for and sub-account of such account, the "**Deposit Account**").

All amounts received by the Issuer from time to time in respect of interest on the Deposit Account balance will be credited to

the Interest Collection Account (as defined herein).

All amounts representing a Deferred Redemption Amount and not applied to redeem the Notes as a result of a postponement of the relevant redemption date pursuant to Condition 7(f) (*Redemption - Postponement of Redemption Date*) shall remain on deposit in the Deposit Account with the Deposit Account Bank.

See "*Information relating to the Deposit Account Agreement*".

Deposit Account Bank:

Citibank, N.A., London Branch or such other bank or financial institution meeting the Minimum Ratings Requirement.

Deposit Collateral Account:

The following account in the name of the Issuer held with the Custodian: custody account number 27551 designated "High Tide CDO I Deposit Collateral Account" (such account and any replacement for and sub-account of such account, the "**Deposit Collateral Account**").

The Deposit Collateral and payments received in respect thereof shall be credited to the Deposit Collateral Account from time to time and paid or transferred in accordance with Condition 2(b)(iii)(*Status of Notes and Order of Priorities – Order of priorities prior to enforcement - Deposit Collateral and Transfers*).

Custodian:

Deutsche Bank AG London or such other replacement Custodian having a long-term rating of at least "A1" by Moody's and a short-term rating of at least "F1+" by Fitch.

Limited Recourse:

The Notes are limited recourse obligations of the Issuer. Payments will be made solely out of amounts received by or on behalf of the Issuer or the Trustee in respect of the Mortgaged Property. The distributions in respect of the Mortgaged Property may be insufficient to make payments on any Class of Notes after making payments on more senior Classes of Notes and certain other required amounts ranking senior to such Class of Notes. Following enforcement of the security over the Mortgaged Property, the net proceeds of the realisation of the security over the Mortgaged Property may be insufficient to pay all amounts due to the Noteholders after making payments of other amounts ranking prior thereto or *pari passu* therewith. In the event of a shortfall in such distributions or proceeds, the Issuer will not be obliged to pay, and the other assets, if any, of the Issuer will not be available for payment of, such shortfall. Neither the Trustee nor the holder of any Notes nor the Swap Counterparty nor any other Secured Party will be able to petition for the winding up of the Issuer as a consequence of any such shortfall. See Condition 10 (*Enforcement and Limited Recourse*). The Notes do not represent an interest in any Reference Obligation or an obligation of the issuer or guarantor thereof. None of the Transaction Parties guarantees or otherwise stands behind the performance of any Reference Obligation or is otherwise under any obligation to make good any losses suffered on any Notes.

Conditions: Any reference herein to the "**Conditions**" or a "**Condition**" means the Terms and Conditions of the Notes in the form set forth herein under "*Terms and Conditions of the Notes*".

Status of the Notes: The Notes will be constituted and secured by a Trust Deed to be dated the Issue Date between, *inter alios*, the Issuer and the Trustee, as may be amended and/or supplemented from time to time in accordance with the terms thereof (the "**Trust Deed**"). The Notes of each Class rank *pari passu* and rateably and without any preference among themselves. The order of seniority of payment in respect of the Notes is as follows: *first*, Class A Notes, *second*, Class B Notes and *third*, Class C Notes. Each Class of Notes (other than the Class C Notes) is senior to each other Class of Notes that follows such Class in the enumerated order above, and each Class of Notes (other than the Class A Notes) is subordinate to each other Class of Notes that precedes such Class in the enumerated order above.

The entitlement of holders of the Notes to receive payments of interest and principal are subordinated to certain fees and expenses of the Trustee and the Agents and payments due to the Swap Counterparty.

Priorities of Payments: Prior to enforcement of the security, (i) amounts standing to the credit of the Interest Collection Account will be applied in the order of priority (the "**Pre-Enforcement Priority of Payments: Interest Waterfall**") set out in Condition 2(b)(i) (*Status of Notes and Order of Priorities - Order of priorities prior to enforcement - Interest*), (ii) amounts standing to the credit of Principal Collection Account (as defined herein) will be applied in the order of priority (the "**Pre-Enforcement Priority of Payments: Principal Waterfall**") set out in Condition 2(b)(ii) (*Status of Notes and Order of Priorities - Order of priorities prior to enforcement - Principal*) and (iii) amounts standing to the credit of the Deposit Collateral Account will be applied in accordance with Condition 2(b)(iii) (*Status of Notes and Order of Priorities - Order of priorities prior to enforcement - Deposit Collateral and Transfers*) (the "**Pre-Enforcement Priority of Payments: Deposit Collateral**").

Following the enforcement of the security, the amounts received by the Issuer under the Credit Default Swap (if any) plus the proceeds of realisation of the Mortgaged Property (including without limitation the amounts standing to the credit of the Deposit Account, the Interest Collection Account, the Principal Collection Account and (if applicable) the Deposit Collateral Account) will be applied in accordance with the order of priority (the "**Post-Enforcement Priority of Payments**") set out in Condition 3(c) (*Security - Application of proceeds*).

The Pre-Enforcement Priority of Payments: Interest Waterfall, the Pre-Enforcement Priority of Payments: Principal Waterfall, the Pre-Enforcement Priority of Payments: Deposit Collateral

and the Post-Enforcement Priority of Payments are collectively referred to as the "**Priority of Payments**".

Pre-Enforcement Priority of Payments:

Interest Waterfall. On each Interest Payment Date and each date on which the Notes are subject to redemption, the amounts standing to the credit of the Interest Collection Account (or, in the case of (B) below only, the Tax Reserve Account (as defined herein)) shall be used to pay the following amounts in the following order of priority:

- (A) in payment of the Tax Reserve Amount (as defined herein) to the Tax Reserve Account and to the payment of any other taxes due to the Luxembourg tax authority other than those arising in connection with the Profit Percentage (as defined in the Swap Agreement);
- (B) in payment of any due but unpaid Residual Counterparty Amount (as defined herein) to the Swap Counterparty;
- (C) in payment of any amounts payable to the Trustee in respect of fees, expenses and liabilities payable under the relevant Transaction Documents, provided that the aggregate amount of all fees, expenses and liabilities paid pursuant to this paragraph does not exceed EUR 50,000;
- (D) *pro rata* and *pari passu*, amounts payable to the Agents, the Portfolio Administrator, the Custodian, the Account Bank, the Domiciliation Agent, the independent accountants, the process agents and the Rating Agencies and any other amounts in respect of fees, expenses and liabilities properly incurred by the Issuer in connection with the Notes, provided that the aggregate amount of all fees, expenses and liabilities paid pursuant to item (C) above and this paragraph does not exceed EUR 215,000;
- (E) the Senior Management Fee (as defined herein) to the Portfolio Manager;
- (F) any amounts payable to the Swap Counterparty in respect of the Swap Agreement (except for any Swap Counterparty Subordinated Termination Amount payable to the Swap Counterparty, any Deferred Swap (Interest) Fee, Deferred Swap (Principal) Fee, Deferred Swap (Post-Enforcement) Fee and any Residual Counterparty Amount);
- (G) interest on the Class A Notes;
- (H) interest on the Class B Notes;
- (I) interest on the Class C Notes;
- (J) any fees, expenses and liabilities payable to the Trustee

to the extent that such fees, expenses and liabilities remain unpaid under item (C) above;

- (K) *pro rata* and *pari passu*, any amounts payable to the Agents, the Portfolio Administrator, the Custodian, the Account Bank, the Domiciliation Agent, the independent accountants, the process agents and the Rating Agencies and any other amounts in respect of fees, expenses and liabilities properly incurred by the Issuer, to the extent that such fees, expenses and liabilities remain unpaid under item (D) above;
- (L) *pro rata* and *pari passu*, any amounts payable to the Initial Purchaser under the Subscription Agreement;
- (M) *pro rata* and *pari passu*, (i) to the extent not paid under the Pre-Enforcement Priority of Payments: Principal Waterfall, to the Principal Collection Account to pay amounts owing under items (F) to (K) of the Pre-Enforcement Priority of Payments: Principal Waterfall and (ii) any Swap Counterparty Subordinated Termination Amount payable to the Swap Counterparty in respect of the Swap Agreement; and
- (N) the Deferred Swap (Interest) Fee to the Swap Counterparty.

Principal Waterfall. At maturity or upon earlier optional redemption, amounts standing to the credit of the Principal Collection Account will be used to pay the following amounts in the following order of priority:

- (A) to the extent not satisfied in accordance with the Pre-Enforcement Priority of Payments: Interest Waterfall, in payment of the Tax Reserve Amount to the Tax Reserve Account and to the payment of any other taxes due to the Luxembourg tax authority other than those arising in connection with the Profit Percentage;
- (B) to the extent not paid under the Pre-Enforcement Priority of Payments: Interest Waterfall, in payment of any amounts payable to the Trustee in respect of fees, expenses and liabilities payable under the relevant Transaction Documents, provided that the aggregate amount of all fees, expenses and liabilities paid pursuant to item (C) of the Pre-Enforcement Priority of Payments: Interest Waterfall and this paragraph does not exceed EUR 50,000;
- (C) to the extent not paid under the Pre-Enforcement Priority of Payments: Interest Waterfall, *pro rata* and *pari passu*, amounts payable to the Agents, the Portfolio Administrator, the Custodian, the Account Bank, the Domiciliation Agent, the independent accountants, the process agents and the Rating Agencies and any other amounts in respect of fees,

- expenses and liabilities properly incurred by the Issuer in connection with the Notes, provided that the aggregate amount of all fees, expenses and liabilities paid pursuant to items (C) and (D) of the Pre-Enforcement Priority of Payments: Interest Waterfall, item (B) above and this paragraph does not exceed EUR 215,000;
- (D) to the extent not paid under the Pre-Enforcement Priority of Payments: Interest Waterfall, the Senior Management Fee to the Portfolio Manager;
 - (E) to the extent not paid under the Pre-Enforcement Priority of Payments: Interest Waterfall, amounts payable to the Swap Counterparty in respect of the Swap Agreement (except for any Swap Counterparty Subordinated Termination Amount payable to the Swap Counterparty, any Deferred Swap (Interest) Fee, Deferred Swap (Principal) Fee, Deferred Swap (Post-Enforcement) Fee and any Residual Counterparty Amount);
 - (F) the Aggregate Outstanding Principal Amount of the Class A Notes until paid in full;
 - (G) to the extent not paid under the Pre-Enforcement Priority of Payments: Interest Waterfall, interest on the Class A Notes;
 - (H) the Aggregate Outstanding Principal Amount of the Class B Notes until paid in full;
 - (I) to the extent not paid under the Pre-Enforcement Priority of Payments: Interest Waterfall, interest on the Class B Notes;
 - (J) the Aggregate Outstanding Principal Amount of the Class C Notes until paid in full;
 - (K) to the extent not paid under the Pre-Enforcement Priority of Payments: Interest Waterfall, interest on the Class C Notes;
 - (L) to the extent that such fees, expenses and liabilities remain unpaid under the Pre-Enforcement Priority of Payments: Interest Waterfall and item (B) above, in payment of any accrued fees, expenses and liabilities payable to the Trustee;
 - (M) to the extent that such expenses remain unpaid under the Pre-Enforcement Priority of Payments: Interest Waterfall and item (C) above, *pro rata* and *pari passu* in payment of any accrued fees, expenses and liabilities payable to the Agents, the Portfolio Administrator, the Custodian, the Account Bank, the Domiciliation Agent, the independent accountants, the process agents and the

Rating Agencies and any other amounts in respect of fees, expenses and liabilities properly incurred by the Issuer;

- (N) to the extent not paid under the Pre-Enforcement Priority of Payments: Interest Waterfall, *pro rata* and *pari passu* in payment of any amounts payable to the Initial Purchaser under the Subscription Agreement;
- (O) to the extent not paid under the Pre-Enforcement Priority of Payments: Interest Waterfall, any Swap Counterparty Subordinated Termination Amount payable to the Swap Counterparty in respect of the Swap Agreement; and
- (P) if the Aggregate Outstanding Principal Amount of each Class of Notes has been reduced to zero, the Deferred Swap (Principal) Fee to the Swap Counterparty.

Deposit Collateral:

Prior to the enforcement of the security for the Notes, the Portfolio Administrator will procure that all amounts standing to the credit of the Deposit Collateral Account are applied on behalf of the Issuer in payment of amounts required to be paid or transferred by the Issuer to the Deposit Account Bank pursuant to the terms of the Deposit Account Agreement.

Post-Enforcement Priority of Payments:

Following the enforcement of any of the security over the Mortgaged Property, the Trustee or any receiver appointed pursuant to the Trust Deed will apply the Realisation Amount (as defined herein) (see Condition 3(c)(i) (*Application of Proceeds*)) in the following order of priority:

- (A) in payment of the Tax Reserve Amount to the Tax Reserve Account and to the payment of any other taxes due to the Luxembourg tax authority other than those arising in connection with the Profit Percentage;
- (B) the Residual Counterparty Amount to the Swap Counterparty;
- (C) fees, charges, expenses and liabilities incurred by the Trustee or any such receiver and the costs of realisation of the security over the Mortgaged Property together with value added taxes thereon;
- (D) *pro rata* and *pari passu*, the Issuer's general administrative fees, fees, expenses and liabilities due to the Agents, the Portfolio Administrator, the Custodian, the Account Bank, the Domiciliation Agent, the independent accountants, the process agents and the Rating Agencies and other expenses properly incurred by the Issuer in connection with the Notes;
- (E) the Senior Management Fee to the Portfolio Manager;

- (F) the Net Settlement Amounts (as defined herein) owed to the Deposit Account Bank;
- (G) amounts owed to the Swap Counterparty in respect of the Swap Agreement (except for any Swap Counterparty Subordinated Termination Amount payable to the Swap Counterparty, any Deferred Swap (Interest) Fee, Deferred Swap (Principal) Fee, Deferred Swap (Post-Enforcement) Fee and any Residual Counterparty Amount);
- (H) *pro rata* and *pari passu*, interest on the Class A Notes;
- (I) *pro rata* and *pari passu*, the Aggregate Outstanding Principal Amount of the Class A Notes until paid in full;
- (J) *pro rata* and *pari passu*, interest on the Class B Notes;
- (K) *pro rata* and *pari passu*, the Aggregate Outstanding Principal Amount of the Class B Notes until paid in full;
- (L) *pro rata* and *pari passu*, interest on the Class C Notes;
- (M) *pro rata* and *pari passu*, the Aggregate Outstanding Principal Amount of the Class C Notes until paid in full;
- (N) any Swap Counterparty Subordinated Termination Amount payable to the Swap Counterparty in respect of the Swap Agreement;
- (O) *pro rata* and *pari passu*, any amounts payable to the Initial Purchaser under the Subscription Agreement; and
- (P) if the Aggregate Outstanding Principal Amount of each Class of Notes has been reduced to zero, the Deferred Swap (Post-Enforcement) Fee to the Swap Counterparty.

Use of Proceeds:

The net proceeds of the issue of the Notes will be placed by the Issuer on deposit with the Deposit Account Bank.

The Offering:

Each Class of Notes may be offered and sold outside the United States to non-U.S. persons in offshore transactions outside the United States, subject as set forth in "*Subscription and Sale*" below. Terms used in this paragraph have the meanings given to them in Regulation S.

Denominations:

In respect of the Class A Notes, the Class B Notes and the Class C Notes, EUR 100,000 (the "**Specified Denomination**"). If Notes in definitive form are issued, the Class A Notes, the Class B Notes and the Class C Notes will be issued in the

Specified Denomination. See Condition 7 (*Redemption*).

Form of the Notes:

Each Class of Notes will initially be represented by interests in a temporary global note in bearer form (each, a "**Temporary Global Note**"), without interest coupons, which will be delivered on or prior to the Issue Date to a common depository on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Each Temporary Global Note may, upon certification as to non-U.S. beneficial ownership, be exchanged for interests in a permanent global note in bearer form (each, a "**Permanent Global Note**"), without interest coupons, of the same Class.

Each Permanent Global Note may be exchanged for Notes of the same Class in definitive form only in the limited circumstances described in this Offering Circular.

Governing Law:

English law.

Trustee:

Deutsche Trustee Company Limited (the "**Trustee**").

Domiciliation Agent of the Issuer:

Luxembourg International Consulting S.A. (the "**Domiciliation Agent**").

Paying Agents:

Deutsche Bank AG London (the "**Principal Paying Agent**") and Deutsche Bank Luxembourg S.A.

Note Calculation Agent:

Deutsche Bank AG London (the "**Note Calculation Agent**").

Account Bank:

Deutsche Bank AG London (the "**Account Bank**").

Accounts:

The Account Bank will enter into an account agreement (the "**Account Agreement**") with, *inter alios*, the Issuer. Pursuant to the Account Agreement, the Account Bank will maintain certain accounts (including, without limitation, the Interest Collection Account and the Principal Collection Account) and will perform certain administrative functions in relation to the accounts (including, without limitation, the transfer of funds to and out of such accounts). See "*Description of the Accounts*".

Initial Purchaser:

Citigroup Global Markets Limited (the "**Initial Purchaser**").

Listing:

Application has been made to list the Notes on the Luxembourg Stock Exchange.

Listing Agent:

Deutsche Bank Luxembourg S.A.

Tax Status:

Payments of interest and principal may be subject to income taxes, including applicable withholding taxes, if any, and other taxes, if any. See "*Tax Considerations*" and Condition 15 (*Taxation*).

SUMMARY OF THE CREDIT DEFAULT SWAP

The following summary does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Offering Circular and the documents referred to herein.

Copies of the Swap Confirmation of the Credit Default Swap and the schedule to the CDS Master Agreement (as defined herein) are available from the specified offices of the Paying Agents. The Asset Specific Criteria and Reference Portfolio Guidelines set out in paragraphs 1 and 2 respectively of Annex B to the Swap Confirmation are also set out in "Description of the Reference Portfolio" below. The Swap Confirmation and Schedule to the CDS Master Agreement must be read in conjunction with the form of the 1992 ISDA Master Agreement (Multicurrency - Cross Border) and the 2000 ISDA Definitions, both as published by the International Swaps and Derivatives Association, Inc., copies of which are available from the specified offices of the Paying Agent. Capitalised terms used but not defined in this Summary of the Credit Default Swap are defined in or pursuant to the Swap Agreement. Certain of those definitions are also set out in "Certain Definitions used in the Swap Agreement" below.

The Credit Default Swap:

On the Issue Date, Citibank, N.A., London Branch as swap counterparty (in such capacity the "**Swap Counterparty**") and the Issuer will enter into a credit default swap transaction (the "**Credit Default Swap**"). The Credit Default Swap will be documented under an ISDA Master Agreement (1992 Version, Multicurrency – Cross Border), as published by the International Swaps and Derivatives Association, Inc., (together with the schedule, the "**CDS Master Agreement**"), and confirmed by a confirmation (the "**Swap Confirmation**"), all to be dated as of the Issue Date, between the Issuer and the Swap Counterparty (the schedule, confirmation and ISDA Master Agreement together the "**Swap Agreement**").

The terms of the Swap Agreement provide for the Issuer to acquire credit exposure to a portfolio of Reference Obligations (the "**Reference Portfolio**") by selling credit protection in respect of the Reference Portfolio to the Swap Counterparty.

The Reference Portfolio:

Pursuant to the terms of the Swap Agreement, the Reference Portfolio shall, subject as provided in "*Non-Compliance*" below, consist of "**Asset Backed Securities**", being obligations that entitle the holder thereof to receive payments that depend primarily on, and are secured upon or derived from the cash flow from, or the market value of, a specified pool of assets or transactions that synthetically replicate the investment risks of holding a specified pool of assets, that by their terms are expected to generate or convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such obligations (each a "**Reference Obligation**"). Any derivative, synthetic or similar obligation or agreement pursuant to which an investing party receives an investment return that is based on the return or performance of an Asset Backed Security as defined in the previous sentence shall not itself constitute an Asset Backed Security.

An asset (a "**Repackaged Security**") issued pursuant to a physical repackaging of an Asset Backed Security of the type described in the preceding paragraph (an "**Underlying Asset Backed Security**") shall constitute an Asset Backed Security

provided that (i) such repackaging involves the placement of an Underlying Asset Backed Security in a single use trust (or similar vehicle) and the issuance of funded assets, (ii) the return of the Repackaged Security may only be impacted by the return of the Underlying Asset Backed Security (plus any additional credit enhancement provided) and (iii) the Remaining Weighted Average Life of the Repackaged Security may not be longer than the Remaining Weighted Average Life of the Underlying Asset Backed Security.

On the Issue Date the Reference Portfolio shall consist of the obligations set out in the Initial Pool Report attached as Annex A to the Swap Confirmation.

Additions:

On any Business Day from and including the Issue Date to and including the Ramp-Up Period End Date (each a "**Ramp-Up Date**"), the Issuer may add further Reference Obligations to the Reference Portfolio (each such addition a "**Ramp-Up**") provided that the Aggregate Portfolio Notional Amount following such addition is not greater than the Maximum Aggregate Notional and that each added Reference Obligation complies with the Asset Specific Criteria set out in paragraph 1 of Annex B to the Swap Confirmation as summarised in "*Description of the Reference Portfolio*" below.

In addition, on any Business Day from and including the Ramp-Up Rating Confirmation Date to and including the Replenishment Period End Date (each a "**Replenishment Date**"), the Issuer may add new Reference Obligations to the Reference Portfolio (each a "**Replenishment**") to replace in whole or in part any Reference Obligation which has been redeemed or to the extent it has amortised, or been removed pursuant to a Removal (as further described in "*Removals*" below), provided that (i) the Aggregate Portfolio Notional Amount on such Replenishment Date is not greater than the Maximum Aggregate Notional, (ii) the Outstanding Notional Amount immediately prior to such Replenishment is equal to or greater than the Amortisation Threshold, (iii) the Reference Obligation to be added complies with each of the Asset Specific Criteria and (iv) the Reference Portfolio either (A) complies with the Reference Portfolio Guidelines set out in paragraph 2 of Annex B to the Swap Confirmation as summarised in "*Description of the Reference Portfolio*" below or (B) if the Reference Portfolio is in breach of any of the Reference Portfolio Guidelines prior to the proposed addition, the proposed addition improves the extent to which the Reference Portfolio complies with such Reference Portfolio Guidelines.

The ability of the Issuer to add Reference Obligations by way of a Ramp-Up or a Replenishment to the Reference Portfolio shall be suspended upon the occurrence and during the continuation of a Suspension Event.

Each addition of a Reference Obligation to the Reference Portfolio as set out above shall constitute an "**Addition**".

"Aggregate Portfolio Notional Amount" means at any time the aggregate of all the Outstanding Principal Amounts plus (i) the Total Loss Amount and (ii) the aggregate of all Recovery Balances, in each case at such time.

"Replenishment Period End Date" means the Reporting Date falling in August 2009.

Removals:

The Issuer may on any Business Day (each a "**Removal Date**") remove the whole or part of any Reference Obligation from the Reference Portfolio, if (a) no Credit Event has occurred on the Removal Date in respect of such Reference Obligation and (b)(i) such removal would not cause the cumulative total of the Outstanding Principal Amounts of all Reference Obligations removed from the Reference Portfolio on such day and in the calendar year immediately preceding such day (pursuant to all removals other than under (ii) below or pursuant to the occurrence of a Credit Event or an amortisation or repayment in whole) to exceed 10% of the Maximum Aggregate Notional, (ii) the Reference Obligation is (A) a Credit Impaired Reference Obligation, (B) a Credit Improved Reference Obligation or (C) an Interim Obligation, (iii) such removal occurs prior to the Ramp-Up Rating Confirmation Date, (iv) such removal occurs after the occurrence and during the continuation of a Suspension Event or (v) such removal occurs after the Time Call Date.

If the Portfolio Manager is removed or retires as manager of the Reference Portfolio and no replacement manager has been/is appointed at such time, in each case pursuant to the Portfolio Management Agreement, then the Swap Counterparty may, in its sole and absolute discretion, on any Business Day effect a removal of a Reference Obligation without regard to any conditions or criteria, provided that such removal is notified to the Issuer. **If the Portfolio Manager is removed or retires as portfolio manager pursuant to the Portfolio Management Agreement and no replacement portfolio manager has been/is appointed at such time pursuant thereto such that the Swap Counterparty may effect removals of Reference Obligations, notice thereof shall be provided to the Noteholders by the Issuer in accordance with Condition 13 (Notices), and for the avoidance of doubt, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, such notice shall also be published in a daily newspaper of general circulation in Luxembourg (which is expected to be *Luxemburger Wort* or the *Tageblatt*).**

Each removal of a Reference Obligation from the Reference Portfolio as set out above shall constitute a "**Removal**".

The Issuer shall procure that the Swap Counterparty is notified of each Addition and Removal effected by or on behalf of the Issuer.

Portfolio Management:

The Swap Agreement provides that the Issuer shall delegate its day-to-day rights and discretions as to selection and modification of the Reference Portfolio and as to delivery of a Credit Event Notice and Notice of Available Information to the Swap Counterparty, to the Portfolio Manager.

Non-Compliance:

If any Reference Obligation is included in the Reference Portfolio in breach of the conditions to addition or is removed from the Reference Portfolio in breach of the conditions to removal set out in the Swap Confirmation, then such Reference Obligation may nevertheless be deemed to be (a) included in the Reference Portfolio or (b) removed from the Reference Portfolio, respectively, provided that the Issuer shall, upon becoming aware of any non-compliant addition notify the Swap Counterparty of such non-compliant addition and remove the non-compliant Reference Obligation from the Reference Portfolio. As such, investors in the Notes may be exposed to the credit risk associated with Reference Obligations that do not meet the Asset Specific Criteria set out in paragraph 1 of Annex B to the Swap Confirmation and/or Reference Obligations that are included in the Reference Portfolio in circumstances where the Reference Portfolio Guidelines set out in paragraph 2 of Annex B to the Swap Confirmation would be breached or an existing non-compliance worsened or not improved pursuant to such Addition.

If on any day more than one Reference Obligation has been added to the Reference Portfolio where any one of those additions constitutes a non-compliant addition, the Issuer may use its discretion in selecting the Reference Obligation(s) to be removed.

Non-euro Reference Obligations:

The Outstanding Principal Amount and Original Principal Amount of any Reference Obligation, or any amounts received in respect of any Reference Obligation by a holder of such Reference Obligation, which are denominated in a currency other than euro (a "**Non-euro Reference Obligation**") shall be deemed to be the equivalent amount of euro of the Original Principal Amount of, or Outstanding Principal Amount of, or any other amount received in respect of, as applicable, such Reference Obligation, determined using the spot exchange rate (expressed as the number of units of the relevant currency of denomination per euro) as determined by the Portfolio Manager on the Addition Date, in respect of such Reference Obligation (or part thereof) (the "**Applicable Exchange Rate**").

Payments by the Swap Counterparty:

Under the terms of the Swap Agreement, the Swap Counterparty is obliged to pay Fixed Amounts to the Issuer.

The Fixed Amounts will be payable by the Swap Counterparty to the Issuer quarterly in arrears on each 15th February, 15th May, 15th August and 15th November commencing on 15th August, 2003 and ending on the Scheduled Maturity Date, subject to adjustment in accordance with the Modified Following Business Day Convention (each a "**Fixed Rate Payer Payment Date**").

Each Fixed Amount shall be an amount determined by the Swap

Counterparty in its capacity as Calculation Agent under the Swap Agreement with respect to a Fixed Rate Payer Payment Date and the Fixed Rate Payer Calculation Period ending immediately prior thereto, equal to the sum of the Tranche A Fixed Amount, the Tranche B Fixed Amount and the Tranche C Fixed Amount.

On each Payment Date up to and including the date on which all the Notes are subject to redemption in full, the Swap Counterparty shall pay to the Issuer an amount equal to the Tax Reserve Amount.

"Fixed Rate Payer Calculation Period" means each period from, and including, one Fixed Rate Payer Payment Date to, but excluding, the next following Fixed Rate Payer Payment Date except that:

- (a) the initial Fixed Rate Payer Calculation period will commence on, and include, the Issue Date; and
- (b) the final Fixed Rate Payer Calculation Period will end on, and exclude the Scheduled Maturity Date.

"Tax Reserve Amount" means in respect of a Payment Date, a percentage representing the minimum per annum profit required for the Issuer by the Luxembourg tax authorities from time to time (the **"Profit Percentage"**) multiplied by the aggregate of (i) the daily weighted average of the Tranche A Amounts on each day during the immediately preceding Calculation Period, (ii) the daily weighted average of the Tranche B Amounts on each day during the immediately preceding Calculation Period, and (iii) the daily weighted average of the Tranche C Amounts on each day during the immediately preceding Calculation Period, multiplied by the Fixed Rate Day Count Fraction (as defined below).

"Calculation Period" means the period from and including one Payment Date to but excluding the next Payment Date, provided that the first Calculation Period shall commence on the Issue Date.

"Tranche A Fixed Amount" is, with respect to each Fixed Rate Payer Calculation Period, an amount equal to the product of:

- (a) the daily weighted average of the Tranche A Amounts on each day of such Fixed Payer Calculation Period; multiplied by
- (b) the Tranche A Fixed Rate; multiplied by
- (c) Actual/360 (the **"Fixed Rate Day Count Fraction"**).

"Tranche B Fixed Amount" is, with respect to each Fixed Rate Payer Calculation Period, an amount equal to the product of:

- (a) the daily weighted average of the Tranche B Amounts on each day of such Fixed Rate Payer Calculation

Period; multiplied by

- (b) the Tranche B Fixed Rate; multiplied by
- (c) the Fixed Rate Day Count Fraction.

"Tranche C Fixed Amount" is, with respect to each Fixed Rate Payer Calculation Period, an amount equal to the product of:

- (a) the daily weighted average of the Tranche C Amounts on each day of such Fixed Rate Payer Calculation Period; multiplied by
- (b) the Tranche C Fixed Rate; multiplied by
- (c) the Fixed Rate Day Count Fraction,

provided that each Tranche Amount for each Tranche on any day from and including the Tranche Amount Determination Date in respect of a Fixed Rate Payer Calculation Period to and including the last day of such Fixed Rate Payer Calculation Period shall be deemed to be the same as the Tranche Amount for such Tranche on the day immediately preceding the Tranche Amount Determination Date in respect of such Fixed Rate Payer Calculation Period.

"Tranche Amount" means each of the Class A Tranche Amount, the Class B Tranche Amount and the Class C Tranche Amount.

"Tranche Amount Determination Date" means, in respect of each Fixed Rate Payer Payment Date, the second Business Day immediately preceding such Fixed Rate Payer Payment Date.

"Tranche A Fixed Rate" means in respect of each Fixed Rate Payer Calculation Period ending on or prior to the Time Call Date 0.63 per cent. and for each subsequent Fixed Rate Payer Calculation Period 1.89 per cent.

"Tranche B Fixed Rate" means in respect of each Fixed Rate Payer Calculation Period ending on or prior to the Time Call Date 1.00 per cent. and for each subsequent Fixed Rate Payer Calculation Period 3.00 per cent.

"Tranche C Fixed Rate" means in respect of each Fixed Rate Payer Calculation Period ending on or prior to the Time Call Date 2.25 per cent. and for each subsequent Fixed Rate Payer Calculation Period 6.75 per cent.

The **"Initial Tranche Amount"** on the Effective Date will be: (a) EUR 54,500,000 for the Class A Tranche, (b) EUR 17,000,000 for the Class B Tranche, and (c) EUR 29,000,000 for the Class C Tranche. The **"Tranche A Amount"**, **"Tranche B Amount"** and **"Tranche C Amount"** will, on each day, be an amount equal to the Initial Tranche Amount for the Class A Tranche, the Initial Tranche Amount for the Class B Tranche and the Initial Tranche

Amount for the Class C Tranche respectively, as adjusted pursuant to the provisions in the Swap Confirmation summarised below.

On any day on which the Adjusted Outstanding Notional Amount is at any time less than the Amortisation Threshold:

- (a) any reduction in the Outstanding Notional Amount as a result of any amortisation or repayment of any Reference Obligation or any Removal occurring on such day shall be applied so as to reduce the Tranche A Amount, and following reduction of the Tranche A Amount to zero, to reduce the Tranche B Amount and following reduction of the Tranche B Amount to zero, to reduce the Tranche C Amount; and
- (b) each Recovery Balance shall be allocated by way of subtraction from the most senior Tranche Amount that is greater than zero. Where the Recovery Balance exceeds the Tranche Amount of the most senior Tranche that has a Tranche Amount that is greater than zero, the excess of the aggregate Recovery Balance not so allocated shall be applied to the next most senior Tranche that has a Tranche Amount that is greater than zero and shall continue to be applied until the entire Recovery Balance has been applied. On each Fixed Rate Payer Payment Date, all Recovery Balances shall be aggregated and allocated on an aggregate basis.

If on any day the Adjusted Outstanding Notional Amount is equal to or greater than the Amortisation Threshold, but is reduced to an amount that is less than the Amortisation Threshold on such day, then the reduction of the Outstanding Notional Amount, to the extent the reduction takes the sum of the Adjusted Outstanding Notional Amount below the Amortisation Threshold, shall be allocated pursuant to (a) and (b) above.

On each Loss Effective Date, each Floating Amount to which the relevant Notices of Loss Amount Calculation relate shall be allocated by way of subtraction from the most junior Tranche that has a Tranche Amount that is greater than zero. Where the Floating Amount exceeds the Tranche Amount of the most junior Tranche that has a Tranche Amount that is greater than zero, the excess of the Floating Amount not so allocated shall be applied to the next most junior of the Tranches that has a Tranche Amount that is greater than zero and shall continue to be applied until the entire Floating Amount has been applied. On each day all Floating Amounts shall be aggregated and allocated on an aggregate basis.

"Adjusted Outstanding Notional Amount" means at any time the sum of the Outstanding Notional Amount and the Total Loss Amount, in each case at such time.

"Amortisation Threshold" means the sum of the Initial Tranche Amounts for each of the Class A Tranche, the Class B Tranche

and the Class C Tranche plus the Loss Threshold.

The Tranches, in order of increasing seniority, are the Class C Tranche, the Class B Tranche and the Class A Tranche.

For the avoidance of doubt:

- (a) no adjustment shall be made to any Tranche Amount following an increase in the Outstanding Notional Amount pursuant to an Addition;
- (b) no Tranche Amount may be reduced below zero; and
- (c) no Tranche Amount may be increased beyond its Initial Tranche Amount.

Additional Expense Amount:

On each Payment Date prior to the earlier of the Payment Date following the Early Termination Date (as defined in "*Early Termination of the Credit Default Swap*" below), and the date on which all the Notes are subject to redemption in full, an amount equal to the aggregate of the Fees and Expenses for such Payment Date shall be payable by the Swap Counterparty to the Issuer.

Payments by the Issuer in respect of Floating Amounts:

Under the terms of the Swap Agreement, the Issuer is obliged to make payments to the Swap Counterparty of Floating Amounts arising in relation to any Reference Obligation in respect of which the Conditions to Payment have been satisfied (each a "**Defaulted Obligation**") on the first Payment Date occurring no less than four Business Days following the date on which the relevant Notice of Loss Amount Calculation is effective.

"**Payment Date**" means the 15th of each February, May, August and November, commencing on 15th August 2003, in each case subject to adjustment in accordance with the Modified Following Business Day Convention.

Conditions to Payment:

In order for a Floating Amount to be due under the Swap Agreement, the Conditions to Payment must be satisfied in relation to the relevant Reference Obligation. The "**Conditions to Payment**" in relation to a Reference Obligation are that:

- (a) a Credit Event (i) has occurred with respect to that Reference Obligation during the period from and including, the Issue Date to, but excluding, the Scheduled Maturity Date, or (ii) if a Potential Failure to Pay has occurred during the period from and including, the Issue Date to, but excluding, the Scheduled Maturity Date in respect of such Reference Obligation and a Failure to Pay (as defined below) has occurred on or prior to the Grace Period Extension Date;
- (b) the Notifying Party has delivered a Credit Event Notice to the Issuer that is effective during the period commencing on and including the Issue Date to and including the Grace Period Extension Date (the "**Notice**");

Delivery Period"); and

- (c) the Notifying Party has delivered a Notice of Available Information to the Issuer that is effective during the Notice Delivery Period.

"Notifying Party" means a party entitled to deliver a Credit Event Notice and Notice of Available Information.

The Swap Counterparty has a right (but not an obligation) to deliver a Credit Event Notice and a Notice of Available Information with respect to any Reference Obligation. The Issuer also has a right (but not an obligation), which it has delegated to the Portfolio Manager, to deliver a Credit Event Notice and a Notice of Available Information with respect to any Reference Obligation, for so long as no Suspension Event has occurred and is then continuing and the Portfolio Manager (or a replacement Portfolio Manager) is at such time appointed as manager of the Reference Portfolio.

Credit Events:

A **"Credit Event"** will have occurred with respect to a Reference Obligation if any of the following has occurred:

- (a) an ABS Bankruptcy;
- (b) a Failure to Pay; or
- (c) a Loss Event,

with respect to such Reference Obligation.

"ABS Bankruptcy" means, with respect to a Reference Obligation that (A) the Associated Entity in respect of such Reference Obligation (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger), (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due, (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors, (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights or a petition is presented for its winding-up or liquidation, and in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (1) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (2) is not dismissed, discharged, stayed or restrained within 30 days of the institution or presentation thereof, (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger), (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets, (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or

other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter or (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) to (g) above (inclusive) and (B) the relevant event specified in (a) to (h) inclusive gives rise to an event of default (howsoever described) or similar event under the terms of the Reference Obligation that results in the acceleration of amounts outstanding in respect of such Reference Obligation; provided, however, an ABS Bankruptcy Credit Event under clause (b) above shall not be treated as occurring solely by reason of the addition of accrued interest to the principal amount of a Reference Obligation that is a Payment in Kind Security or the separate recording of interest as capitalised interest, in each case instead of being paid in cash and as provided for under the terms of Payment in Kind Security in effect as of the later of the date on which such Payment in Kind Security was included in the Reference Portfolio and the date as of which such Payment in Kind Security is issued or incurred (unless such addition of accrued interest or separate recording of interest constitutes a default or event of default under the terms of such Payment in Kind Security in effect as of such later date).

"Failure to Pay" means,

- (a) after the expiration of any applicable (or deemed) Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by the Associated Entity, and, if applicable, any guarantor or insurer of any Reference Obligation to make, when and where due and payable, any payments of principal or interest equal to or in excess of the Payment Requirement on such Reference Obligation, including where any payment in relation to one or more Reference Obligations has become due and payable before it would otherwise have been due and payable as a result of a default, event of default (including bankruptcy or insolvency of the issuer of the Reference Obligation), or other similar event (however described) or any mandatory prepayments of principal (in whole or in part) or any non payment of the Outstanding Principal Amount at the Legal Maturity of a Reference Obligation; or
- (b) failure to make a payment which would have been required to be paid on the Final Maturity of the Reference Obligation but for the fact that the obligation to make such payment is expressed to be dependent or conditional upon the Associated Entity or, if applicable, the guarantor or insurer of the Reference Obligation receiving or having sufficient funds or assets to make such payment.

For the avoidance of doubt:

- (i) the failure to redeem a Reference Obligation in full on its Expected Maturity will not constitute a Failure to Pay, unless such Expected Maturity is also the Final Maturity in respect of such Reference Obligation; and
- (ii) subject to the provisions in respect of Payment in Kind Securities set out in (A) and (B) below, a failure to make a payment of interest or principal, which is scheduled to be made but not due and payable shall not constitute a Failure to Pay. To the extent that such payment later becomes due and payable, a failure to pay such amount shall, if the conditions set out above are satisfied, constitute a Failure to Pay.
 - (A) A failure to pay interest, in respect of a Payment in Kind Security that, at such time, has a Moody's Rating of "Ca" or lower (if such Reference Obligation has a Moody's Rating at such time) and, at such time, has a Fitch Rating of "CC" or lower (if such Reference Obligation has a Fitch Rating at such time) (each an "**Impaired PIK**"), that is added to a principal amount due at a later date shall, if the conditions set out above are satisfied, constitute a Failure to Pay; and
 - (B) a failure to pay interest, in respect of any Payment in Kind Security that is not an Impaired PIK, that is added to a principal amount due at a later date will not constitute a Failure to Pay.

"**Loss Event**" means the principal balance or principal amount (however described or defined in the terms of the Reference Obligation) of any Reference Obligation is reduced by the allocation of any loss amounts, or is reduced otherwise than in accordance with the original terms of such Reference Obligation, in either case, in respect of, *inter alia*, defaulted assets, defaulted receivables, charge-offs or other losses and either:

- (a) the Calculation Agent has determined and the Portfolio Manager (or, if a portfolio manager is not at such time appointed pursuant to the Portfolio Management Agreement, the Portfolio Administrator or, if neither a Portfolio Manager or a Portfolio Administrator is appointed at such time, a Dealer selected by the Calculation Agent) has confirmed that it is mathematically not possible, assuming (i) no further defaults on the Underlying Assets and (ii) that the Underlying Assets continue to repay or prepay at the same rate as they have done since the Reference Obligation was issued (excluding defaulted Underlying Assets) and taking into account the terms of the Reference Obligation, for the reduction to be reversed;

or

- (b) the Reference Obligation at such time (i) has a Moody's Rating of "Caa2" or lower (if such Reference Obligation has a Moody's Rating at such time) and (ii) has a Fitch Rating of "CCC" or lower (if such Reference Obligation has a Fitch Rating at such time).

Floating Amounts:

The Floating Amount with respect to each Defaulted Obligation will be an amount in euro equal to the lesser of (i) the Total Loss Amount plus the Loss Amount in respect of the Defaulted Obligation minus the Loss Threshold and (ii) the Loss Amount in respect of the Defaulted Obligation, subject to a minimum of zero, provided that the aggregate of all Floating Amounts payable by the Issuer will not exceed EUR 100,500,000.

"Loss Threshold" means EUR 27,000,000.

Determination of Loss Amounts:

The Loss Amount shall be determined by the Swap Counterparty in its capacity as Calculation Agent as set out below in respect of each Defaulted Obligation in respect of which a Credit Event has occurred and all Conditions to Payment have been satisfied. The Swap Counterparty may delegate its duties to select Dealers, determine any Loss Amount and deliver any Notice of Loss Amount Calculation, to the Portfolio Manager pursuant to the terms of the Portfolio Management Agreement.

"Loss Amount" with respect to a Reference Obligation means an amount equal to the Outstanding Principal Amount, converted where relevant into euro at the spot exchange rate(s) prevailing on the date on which (such part of) the Reference Obligation was included in the Reference Portfolio as at the Price Determination Date minus an amount equal to the product of the Original Principal Amount, converted where relevant into euro at the spot exchange rate(s) prevailing on the date on which (such part) of the Reference Obligation was included in the Reference Portfolio, multiplied by the Final Price, subject to a minimum of zero.

"Final Price" means the price of the Reference Obligation, expressed as a percentage of the Original Principal Amount, whether or not the relevant Quotation(s) are expressed in such manner, determined as follows:

- (a) if the Swap Counterparty obtains one or more Full Quotations that are Allowable Quotations on the Valuation Date, the Final Price shall be the highest of such Full Quotations;
- (b) if the Swap Counterparty is unable to obtain at least one Full Quotation that is an Allowable Quotation on the Valuation Date, the Calculation Agent will attempt to obtain at least one Full Quotation that is an Allowable Quotation on each 30th Business Day following the Valuation Date and if no Full Quotations are available, a Weighted Average Quotation until at least one

Allowable Quotation is obtained. Subject to (c) below, once one or more Full Quotations or a Weighted Average Quotation that are Allowable Quotations are obtained, the Final Price shall be the highest Allowable Quotation obtained or, if only one Allowable Quotation is obtained, shall be that Allowable Quotation;

- (c) if no Full Quotation or Weighted Average Quotation that is an Allowable Quotation is obtained on or prior to the last day of the Maximum Quotation Period (the "**Quotation Period End Date**") the Swap Counterparty will attempt to obtain one or more Full Quotations and if no Full Quotations are available, a Weighted Average Quotation (which for the avoidance of doubt need not be Allowable Quotations) on each date that is five, 10 and 25 Business Days following the Quotation Period End Date until at least one Full Quotation or a Weighted Average Quotation is obtained. Once one or more Full Quotations are obtained, the Final Price shall be the highest Full Quotation obtained or, if only one Quotation is obtained, shall be that Full Quotation or if no Full Quotations are obtained but a Weighted Average Quotation is obtained, the Final Price shall be such Weighted Average Quotation;
- (d) if no Full Quotation or Weighted Average Quotation is obtained on or prior to the day that is 25 Business Days following the Quotation Period End Date the Calculation Agent will attempt to obtain one or more firm bid quotations from Dealers, and may in its sole discretion attempt to obtain from the Portfolio Manager firm bid quotations, in each case at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an original principal balance of as large a size as available, but less than the Quotation Amount, that in aggregate are, to the extent reasonably practicable, but not, for the avoidance of doubt, necessarily, approximately equal to the Quotation Amount (such aggregate being the "**Actual Quotation Amount**" and each such quotation being a "**Relevant Quotation**"). If the Calculation Agent is able to obtain one or more Relevant Quotations, the Final Price shall be the weighted average of such Relevant Quotations provided that for such purposes the Relevant Quotation for an amount of the Reference Obligation equal to the Quotation Amount minus the Actual Quotation Amount, subject to a minimum of zero, shall be deemed to be zero; and
- (e) if no Full Quotation, Weighted Average Quotation or Relevant Quotation is obtained on or prior to the day that is 25 Business Days following the Quotation Period End Date, the Final Price shall be deemed to be zero.

"**Quotation**" means each Full Quotation, Weighted Average Quotation and Relevant Quotation obtained, and expressed as a

percentage of the Original Principal Amount, with respect to a Valuation Date in the manner that follows:

- (a) the Calculation Agent shall attempt to obtain Full Quotations, and where applicable, Weighted Average Quotations and/or Relevant Quotations with respect to the Valuation Date; and
- (b) such Quotation shall not include accrued but unpaid interest.

"Full Quotation" means each firm bid quotation obtained from a Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation with an original principal balance equal to or greater than the Quotation Amount.

"Weighted Average Quotation" means the weighted average of firm bid quotations obtained from Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an original principal balance of as large a size as available but less than the Quotation Amount (but of a size equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

Deferred Swap Fees:

On each Payment Date the Issuer shall pay to the Swap Counterparty an amount, equal to the aggregate of the Deferred Swap (Interest) Fee, if any, and the Deferred Swap (Principal) Fee, if any, in each case in respect of such Payment Date.

On the day on which all prior ranking payments due pursuant to the priority of payments set out in Condition 3(c) have been made, the Issuer shall pay to the Swap Counterparty an amount equal to the Deferred Swap (Post-Enforcement) Fee.

"Deferred Swap (Interest) Fee" means, in respect of each Payment Date, an amount equal to the positive balance, if any, of the Interest Collection Account (as defined in the Conditions) after all prior ranking payments due out of such account on or prior to such day have been made in accordance with and pursuant to Condition 2(b)(i).

"Deferred Swap (Post-Enforcement) Fee" means the aggregate of the positive balances, if any, of the Realisation Amount after all prior ranking payments due following the enforcement of the security constituted under the Trust Deed over the Mortgaged Property pursuant to and in accordance with Condition 3 have been made.

"Deferred Swap (Principal) Fee" means in respect of each Payment Date, an amount equal to the positive balance, if any, of the Principal Collection Account (as defined in the Conditions) after all prior ranking payments due out of such account on or

prior to such day have been made in accordance with and pursuant to Condition 2(b)(ii).

Payments in respect of Tax Reserve Amounts:

On the Business Day immediately following the date on which all taxes due from the Issuer under Luxembourg tax law have been paid in respect of any fiscal year, the Issuer shall pay to the Swap Counterparty an amount (the "**Residual Counterparty Amount**") equal to (a) the aggregate balance remaining in the Tax Reserve Account less (b) an amount equal to the aggregate of all Tax Reserve Amounts credited to the Tax Reserve Account in any subsequent fiscal year in respect of which taxes due from the Issuer under Luxembourg tax law have not been paid in full, subject to a minimum of zero.

Reporting:

Pursuant to the terms of the Swap Agreement, the information in the Initial Pool Report shall be updated in the Portfolio Report to be provided by or on behalf of the Issuer to the Swap Counterparty on the fifth Business Day following each Reporting Date in the form set out in "*Form of Portfolio Report*" below.

Tax Provisions:

Under the CDS Master Agreement, neither the Issuer nor the Swap Counterparty is obliged to gross up any payments in the event of the imposition of any withholding tax or deduction. In the event of the imposition of any withholding tax or deduction on payments by the Swap Counterparty to the Issuer, the Swap Counterparty may in its sole and absolute discretion elect to gross up one or more relevant payments, provided that if the Swap Counterparty elects not to gross up any payment then the Issuer shall be entitled to terminate the Swap Agreement where such deduction or withholding is imposed due to a change in tax law or merger of one of the parties to the Swap Agreement. Whether or not the Swap Counterparty elects to make any additional payments, the Issuer will be obliged (following consultation with the Portfolio Manager, the Deposit Account Bank and the Swap Counterparty) to use its reasonable endeavours to replace itself as counterparty to the Swap Agreement so that the deduction or withholding referred to above would not be imposed, in accordance with Condition 7(e) and if it is not able to make such transfer, the Swap Counterparty shall, if such deduction or withholding is imposed due to a change in tax law or merger of one of the parties to the Swap Agreement, use its reasonable endeavours to transfer its rights and obligations under the Swap Agreement to another of its offices or Affiliates so that the deduction or withholding referred to above would not be imposed.

In the event of the imposition of any withholding tax or deduction on payments made by the Issuer to the Swap Counterparty due to a change in tax law or a merger of one of the parties, the Swap Counterparty shall be entitled to terminate the Swap Agreement, provided that the Swap Counterparty has used its reasonable endeavours to transfer its rights and obligations under the Swap Agreement to another of its offices or Affiliates and the Issuer shall use its reasonable endeavours (following consultation with the Portfolio Manager, the Deposit Account Bank and the Swap Counterparty) to replace itself as

counterparty to the Swap Agreement so that the deduction or withholding referred to above would not be imposed, in accordance with the Trust Deed.

In the event that the Issuer is required to withhold or account for tax in respect of the Notes, or the Issuer has otherwise received payments net of taxes or suffered tax in respect of its income (including, but not limited to, income under the Deposit Account Agreement), so that on the occasion of the next payment due on the Notes, the Issuer would be unable to make payment of the full amount payable on the Notes, the Swap Counterparty has the option to make such additional payments to the Issuer under the Swap Agreement to enable the Issuer to make payments in full under the Notes. Notwithstanding the Swap Counterparty's election to make such additional payment, the Issuer shall use its reasonable endeavours to arrange for its substitution as the principal debtor under the Notes as set out in Condition 7(e).

Any election by the Swap Counterparty to make an additional payment as set out above in respect of a Payment Date shall not oblige the Swap Counterparty to make such additional payment in respect of any other future Payment Date.

Rating Downgrade of Swap Counterparty:

If (i) the long-term, unsecured and unsubordinated debt obligations of the Swap Counterparty (or its successor) cease to be rated at least as high as "A1" by Moody's or (ii) the short-term, unsecured and unsubordinated debt obligations of the Swap Counterparty (or its successor) cease to be rated at least as high as "P-1" by Moody's or (iii) the short-term, unsecured and unsubordinated obligations of the Swap Counterparty (or its successor) cease to be rated at least "F1" by Fitch and as a result of such downgrade, the then current rating of the Notes may, in the reasonable opinion of Moody's or Fitch, as applicable, be downgraded or placed under review for possible downgrade, then the Swap Counterparty will, in accordance with the Swap Agreement be required to take certain remedial measures which may include providing collateral for its obligations under the Swap Agreement, transferring its rights and obligations under the Swap Agreement to an entity with the Required Ratings, procuring another person with the Required Ratings to become co-obligor in respect of its obligations under the Swap Agreement or taking such other action as will result in the rating of the Notes then outstanding following the taking of such action being no lower than the rating of the Notes immediately prior to the downgrade of the Swap Counterparty referred to above, as confirmed by Fitch or Moody's, as applicable.

"Required Ratings" means the long-term, unsecured and unsubordinated debt obligations of such entity are rated at least as high as "A1" by Moody's and the short-term, unsecured and unsubordinated debt obligations of such entity are rated at least as high as "P-1" by Moody's and the short-term, unsecured and unsubordinated debt obligations of such entity are rated at least as high as "F1" by Fitch, or, in either case, such lower rating as is commensurate with the rating assigned to the Notes by Moody's and Fitch from time to time.

Scheduled Termination of the Credit Default Swap:

The Swap Counterparty's obligation to pay Fixed Amounts to the Issuer will terminate on the earliest of (i) the Scheduled Maturity Date, (ii) the first Payment Date as of which the aggregate of the Tranche A Amount, the Tranche B Amount and the Tranche C Amount have been reduced to zero; and (iii) the Time Call Date in the circumstances described more fully in "*Optional Termination of the Credit Default Swap*" below (such earliest date being the "**Termination Date**").

The Issuer's obligation to pay Floating Amounts to the Swap Counterparty will continue beyond the Termination Date in respect of any Reference Obligation which is a Defaulted Obligation on the Termination Date and any Reference Obligation in respect of which a Potential Failure to Pay occurred prior to the Termination Date and which becomes a Defaulted Obligation no later than the 60th Business Day following the Termination Date.

"Potential Failure to Pay" means the failure by an Associated Entity to make, when and where due, any payments under one or more Reference Obligations without regard to any Grace Period or any conditions precedent to the commencement of any Grace Period applicable to such Reference Obligation(s), the occurrence of which has been notified in writing by the Swap Counterparty to the Issuer on or prior to the third Business Day immediately preceding the Termination Date.

Early Termination of the Credit Default Swap:

The occurrence of any of the following events will allow one or both of the parties to terminate the Swap Agreement by designation or deemed designation of an Early Termination Date, as provided in the Swap Agreement prior to the Scheduled Maturity Date:

- (a) Events of Default and Termination Events (each as defined in the CDS Master Agreement) with respect to the Issuer and the Swap Counterparty commonly found in standard ISDA documentation, amended in relation to the Issuer to account for the Issuer's special purpose vehicle status, which include payment defaults, certain bankruptcy-related events and illegality applicable to either party. In addition, in relation to the Swap Counterparty only, certain additional Events of Default relating to breach of agreement, misrepresentation and merger will apply;
- (b) early redemption in full of the Notes pursuant to Condition 7(e) of the Notes in which case the Swap Agreement will terminate automatically;
- (c) an event of default in respect of the Notes;
- (d) the Profit Percentage is greater than 0.03 per cent. per annum; and
- (e) certain tax related events as more particularly described

in "*Tax Provisions*" above.

Payments on Early Termination of the Credit Default Swap:

Following the termination of the Swap Agreement pursuant to "*Early Termination of the Credit Default Swap*" above, a termination payment may be due from the Issuer to the Swap Counterparty or vice versa in accordance with the close-out mechanism found in standard ISDA documentation. For the purpose of determining such termination payment, the applicable Payment Method shall be the Second Method and the Payment Measure shall be Market Quotation. For the avoidance of doubt, for the purposes of calculating the termination payment, without limitation to the generality of the foregoing, any Floating Amount which is outstanding (which for this purpose means either not paid or not determined), in respect of a Credit Event that has occurred with respect to the Swap Agreement and in respect of which all the Conditions to Payment have been satisfied, will be taken into account. The close-out mechanism referred to above has been amended in the CDS Master Agreement so that following the termination of the Swap Agreement following the occurrence of a Termination Event, the Issuer shall always be deemed to be the sole Affected Party for the purposes of determining the termination payment.

However, subject as provided in the immediately preceding paragraph and subject to any Additional Expense Amount due by the Swap Counterparty on the Payment Date following the Early Termination Date, no further payments in respect of the Swap Agreement shall be due by the Issuer or the Swap Counterparty following the termination of the Swap Agreement pursuant to "*Early Termination of the Credit Default Swap*" above.

Optional Termination of the Credit Default Swap:

The Swap Counterparty has a right but not an obligation to terminate the Swap Agreement in whole but not in part on the Payment Date falling in May, 2010 (the "**Time Call Date**") by giving to the Issuer not less than 15 Business Days' prior written notice.

The Swap Counterparty's obligation to pay Fixed Amounts shall terminate on the Time Call Date if the Swap Counterparty has exercised its right to terminate the Swap Agreement on such date.

Notwithstanding the termination of the Swap Agreement pursuant to the Swap Counterparty's exercising its rights to terminate the Swap Agreement on the Time Call Date, the Issuer's obligation to pay Floating Amounts to the Swap Counterparty will continue beyond the Time Call Date in respect of any Reference Obligation that is a Defaulted Obligation on the Time Call Date and any Reference Obligation in respect of which a Potential Failure to Pay occurred prior to the Time Call Date and which becomes a Defaulted Obligation no later than the 60th Business Day following the Time Call Date. In addition, the Issuer's obligations to make payment pursuant to "*Deferred Swap Fees*" and "*Payments in respect of Tax Reserve Amounts*" above shall survive the Time Call Date.

Governing Law:

The Swap Agreement will be governed by and construed in

accordance with the laws of England.

RISK FACTORS AND WARNINGS

Prospective investors should carefully consider the following risks and investment considerations, in addition to the matters set forth elsewhere in this Offering Circular, prior to investing in any Notes. Except as otherwise stated below, the risks and investment considerations are generally applicable to all Classes of Notes, although the degree of risk associated with each Class of Notes will generally vary in accordance with its priority of payment.

THE NOTES INVOLVE SUBSTANTIAL RISKS AND ARE SUITABLE ONLY FOR SOPHISTICATED INVESTORS WHO HAVE THE KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS NECESSARY TO ENABLE THEM TO EVALUATE THE RISKS AND THE MERITS OF AN INVESTMENT IN THE NOTES. THE NOTES ARE NOT PRINCIPAL PROTECTED AND PURCHASERS OF NOTES ARE EXPOSED TO FULL LOSS OF PRINCIPAL. ONLY PROSPECTIVE PURCHASERS WHO CAN WITHSTAND THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD BUY THE NOTES. BEFORE MAKING AN INVESTMENT DECISION, PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSIDER CAREFULLY, IN THE LIGHT OF THEIR OWN FINANCIAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES, ALL THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR AND, IN PARTICULAR, THE CONSIDERATIONS SET FORTH BELOW.

1. General

It is intended that the Issuer will enter into a credit default swap with the Swap Counterparty, pursuant to which the Issuer will receive a premium in exchange for the payment of Net Aggregate Loss amounts arising in connection with a Reference Portfolio comprised of asset backed securities managed and modified from time to time by the Portfolio Manager according to the guidelines and criteria specified in the Portfolio Management Agreement and the Swap Agreement and summarised in this Offering Circular. The Issuer will issue the Notes the principal repayment of which is linked to the payments due under the Swap Agreement and the Deposit Account Agreement. The proceeds of such issuance will be placed on deposit with the Deposit Account Bank, and will be used in redemption of the Notes except to the extent that Credit Events have occurred with respect to the Swap Agreement that have resulted in a positive Net Aggregate Loss.

There can be no assurance that none of the Reference Obligations, the Swap Counterparty, the Deposit Account Bank or the Custodian will default. Further to that, there can be no assurance that the Noteholders will receive the full amounts payable by the Issuer under the Notes, or that Noteholders will achieve any return on their investments. Prospective investors are advised to review this entire Offering Circular carefully and should consider, among other things, the factors set out below before deciding to invest in the Notes.

Prospective investors in the Notes should ensure that they understand the legal, tax, accounting and financial evaluation of the risks and return of investing in such Notes, and that they consider the suitability of such Notes as an investment in accordance with their own circumstances and investment condition.

2. Risks relating to the Reference Portfolio under the Credit Default Swap

(a) General

The Notes have no principal protection and investors bear the risk of the Total Loss Amount (as defined herein) in the Reference Portfolio under the Credit Default Swap exceeding EUR 27,000,000. If a Credit Event occurs in respect of a Reference Obligation, the initial principal amount of Notes outstanding will be reduced (without any repayment), in inverse order of seniority and in accordance

with the Loss Allotment Order, by an amount equal to the Net Aggregate Loss determined in respect of such Credit Event. As a result, the amount of principal repaid upon any redemption of the Notes may be less than the amount invested and in certain cases may be zero.

The likelihood of a Credit Event occurring in respect of a Reference Obligation will generally fluctuate with, among other things, the financial conditions and other characteristics of the issuer and/or guarantor of the Reference Obligation, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. See "*Nature of the Reference Obligations*" below. The extent to which defaults occur in the Reference Portfolio may be increased by concentrations in certain sectors, industries, regions, issuers or servicers. See "*Composition of the Reference Portfolio*" below.

(b) *Nature of the Reference Obligations*

The Reference Obligations will be asset backed securities including among others credit card securities, collateral debt obligations, commercial mortgage backed securities, residential mortgage backed securities, whole business securitisations and in certain circumstances, repackaged securities.

An asset backed security is a security or any obligation that is evidenced by a certificate that entitles the holder thereof to receive payments that depend primarily on, and are secured upon or derived from, the cash flow from, or the market value of, a specified pool of assets or transactions that synthetically replicate the investment risks of holding a specified pool of assets, that by their terms are expected to generate or convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities or certificates.

Asset backed securities are often subject to extension and prepayment risks which may have a substantial impact on the timing and level of their cashflows. Structural features (such as mandatory, optional and early redemption provisions, payment-in-kind features, the prescribed timeframes and conditions for undertaking various actions and priorities of payment) and general economic and financial conditions (such as the prevailing interest rates, foreign exchange rates, revisions of credit ratings and actual recoveries) all have an impact on the weighted average life of asset backed securities. There can be no certainty as to the exact weighted average life of any asset backed security at a specific point in time, nor the level of impact of the above-mentioned structural features and changes to the general economic conditions. As a result, no assurance can be made as to the exact timing and/or level of cashflows from the Reference Portfolio. This uncertainty may substantially affect the returns on each Class of Notes.

Reliable sources of statistical information may not exist with respect to the defaults, prepayments or recovery rates for all types of obligations comprising the Reference Portfolio. Actual default rates may exceed historical default rates or the default and other assumptions referenced herein. Actual recovery rates may be lower than historical recovery rates or the Rating Agencies' assumed recovery rates and may be zero. In any event, past performance is not indicative of future performance.

(c) *Composition of the Reference Portfolio*

It is expected that approximately 34.7% of the Reference Portfolio will be determined as of the Issue Date. The remainder of the Reference Portfolio will be selected during the Ramp-Up Period, and will be subject to modification from time to time by the Portfolio Manager in accordance with the Reference Portfolio Guidelines (although in certain circumstances Reference Obligations that have been added to the Reference Portfolio that do not satisfy the Reference Portfolio Guidelines and/or the Asset Specific Criteria may remain in the Reference Portfolio). As a result, there can be no assurance as to what the final composition of the Reference Portfolio will be. Prospective investors should

examine carefully the Asset Specific Criteria, Reference Portfolio Guidelines and the substitution and replenishment criteria prior to investing in the Notes.

There is no assurance that the Reference Portfolio will comply with all the guidelines on the Ramp-Up Period End Date. There is a possibility that the Ramp-Up Rating Confirmation may not be obtained at that point.

(d) ***Calculation of Floating Amounts***

The Calculation Agent under the Swap Agreement will determine the Floating Amount for each Credit Event in respect of a Reference Obligation based upon the Final Price therefor, as provided in the Swap Agreement. The Swap Counterparty is the Calculation Agent under the Swap Agreement. The Swap Counterparty as Calculation Agent under the Swap Agreement is entitled to select, as Dealers (as defined herein) under the Swap Agreement, dealers in asset backed securities of the type of the Reference Obligations for which bid prices are to be obtained, and one or more other persons or entities. The Swap Counterparty may delegate its duties as Calculation Agent to the Portfolio Manager and in certain limited circumstances the Portfolio Manager may provide bid prices (see "*Summary of the Credit Default Swap*" above).

The bid prices used to determine the Final Price (and consequently the Floating Amount) may be affected by factors other than the occurrence of such Credit Event. Such prices may vary widely from dealer to dealer and may be adversely affected by the size of the relevant Reference Obligation and the time of occurrence of such Credit Event. The Reference Obligations, even absent a Credit Event, may be illiquid investments and such illiquidity may be expected to be more pronounced following the occurrence of a Credit Event, thereby adversely affecting any determination of the Final Price and the Net Aggregate Loss by which the Aggregate Outstanding Principal Amount of each Class of Notes may be reduced.

3. Limited recourse

(a) ***Synthetic Exposure***

The exposure to the Reference Obligations will be created synthetically via the Credit Default Swap. The Issuer will only have a contractual relationship with the Swap Counterparty under the Swap Agreement and will not own any Reference Obligations or any other securities, financial instruments or other assets. Accordingly, the Credit Default Swap does not constitute a purchase or other acquisition or assignment of any interest in any Reference Obligation (except as aforesaid), and the Issuer and the Noteholders will not have any rights to acquire from the Swap Counterparty (or require the Swap Counterparty to transfer or assign) any interest in a Reference Obligation (except as aforesaid).

(b) ***No Claim Against Issuers or Guarantors of the Reference Obligations***

The Notes do not represent a claim against the issuer and/or guarantor of any Reference Obligation and, in the event that the Aggregate Outstanding Principal Amount of the Notes is reduced upon the occurrence of a Credit Event, neither the Issuer nor the holders of any Notes will have any recourse under the Notes to the issuer and/or guarantor of any Reference Obligation.

The Issuer will have no right directly to enforce compliance by the issuer and/or guarantor of a Reference Obligation with the terms of a Reference Obligation or any rights of set-off against the issuer and/or guarantor of a Reference Obligation or any voting rights with respect to any Reference Obligation. The Issuer will not directly benefit from any underlying assets or enhancements

supporting a Reference Obligation and will not have the benefits of any remedies that would normally be available to a holder of a Reference Obligation.

(c) ***Limited Recourse***

The Notes are limited recourse obligations. Payments on the Notes will be made only if and to the extent of funds received or recovered on the Mortgaged Property. If such funds are insufficient to pay all Note obligations, no other assets exist for payment of any shortfall. Following enforcement of the security, any such shortfall will be borne by the Noteholders in inverse order of seniority. None of the Noteholders, the Swap Counterparty, the Trustee or any of the other Secured Parties shall be able at any time to institute, or join in any institution against the Issuer of, any bankruptcy, reorganisation, arrangement, insolvency, winding up or liquidation proceedings or other proceedings under any bankruptcy or similar law as a consequence of any such shortfall or otherwise relating to the Notes.

4. No Need for Loss

The amounts which the Swap Counterparty is required to pay to the Issuer under the Swap Agreement may be reduced as a result of each Credit Event in respect of a Reference Obligation, regardless of whether the Swap Counterparty has suffered an actual loss as a result thereof or the size of any such loss. The Swap Counterparty is not required to own any Reference Obligations or have any credit risk to the issuer and/or guarantor of any Reference Obligation. If the Swap Counterparty were to own any Reference Obligation which becomes the subject of a Credit Event, it is under no obligation to account to the Issuer for any amount it may subsequently recover from the sale or other transfer thereof.

5. Counterparty Risk

The ability of the Issuer to meet its obligations under the Notes will be dependent, where applicable, upon the payment of all sums due from the Swap Counterparty under the Swap Agreement, the payment of all sums due under the Deposit Account Agreement by the Deposit Account Bank and payment by the Principal Paying Agent of relevant payments when received and performance by all Transaction Parties of their respective obligations under the relevant agreements. Accordingly, Noteholders are exposed, among other things, to the creditworthiness of the Swap Counterparty, the Account Bank, the Custodian, the Principal Paying Agent, the other Paying Agents and the Deposit Account Bank, as well as the circumstances under which the exposure to each of those parties will be collateralised or subject to arrangements having a similar economic effect and also the nature of such collateral (including in relation to the Deposit Collateral). In addition, on the occurrence of a Deposit Downgrade Event, this will constitute a Note Event of Default.

6. No Guarantee of Performance

None of the Transaction Parties is obligated to make payments on the Notes. None of the Transaction Parties or the Issuer guarantees the value of the Notes at any time or is obliged to make good on any losses suffered as a result of Credit Events or otherwise. Investors must rely solely on the Mortgaged Property for payment under the Notes. The Issuer will have no other assets or sources of revenue. There can be no assurance that amounts received by the Issuer from the Mortgaged Property will be sufficient to pay all amounts when due if at all. Neither the Issuer nor any of the Transaction Parties will have any liability to the Noteholders as to the amount, or value of, or any decrease in the value of, the Deposit Collateral, the Reference Portfolio or any Reference Obligation.

7. Priority of Payments

After enforcement of the security, the obligation of the Issuer to pay Trustee fees, certain Agents' fees and the general administrative and other expenses of the Issuer, certain fees to the Portfolio Manager, the Net Settlement Amount owing to the Deposit Account Bank and amounts due to the Swap Counterparty (other than Subordinated Termination Amounts and any Deferred Swap (Post-Enforcement) Fee) rank senior to all claims in respect of the Notes. No interest or principal on the Notes will be paid until all payments that rank in priority to such Notes are paid in full. The 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 the Trust Deed.

Accordingly, the rights to receive payments in respect of the Class C Notes are junior and subordinate to the rights to receive payments in respect of the Class A Notes and the Class B Notes; the rights to receive payments in respect of the Class B Notes are junior and subordinate to the rights to receive payments in respect of the Class A Notes and senior to the rights to receive payments in respect of the Class C Notes; and the rights to receive payments in respect of the Class A Notes are senior to the rights to receive payments in respect of the Class B Notes and the Class C Notes.

8. Controlling Class and Conflicts between Classes and between Noteholders and other Secured Parties

(a) Conflicts

Subject as provided in the Trust Deed and the Conditions (as summarised below), if in considering the interests of the Noteholders of more than one Class there is, in the opinion of the Trustee, a conflict between the interests of the Noteholders of one or more Classes and the Noteholders of another or other Class(es), the Trustee shall not exercise any of its trusts, powers, authorities or discretions under the Trust Deed. Subject to paragraphs (c) and (d) below, if in the exercise of any of such trusts, powers, authorities and discretions the Trustee is of the opinion that there is a conflict between the interests of the Noteholders and any other Secured Party, the Trustee shall have regard solely to the interests of the Noteholders, provided that if, in the opinion of the Trustee, the exercise by it of any of such trusts, powers, authorities or discretions would be materially prejudicial to the interests of the Swap Counterparty, it shall exercise such trusts, powers, authorities or discretions only after consultation with (or, in the case of certain matters set out in Condition 14 relating to modifications, waivers and substitution, with the prior written consent of) the Swap Counterparty.

(b) Acceleration of the Notes

The requisite majority of the holders of the Controlling Class of Notes will be entitled to require the Trustee to accelerate the maturity of the Notes following the occurrence of a Note Event of Default under the Conditions, subject to the Trustee being indemnified to its satisfaction. The requisite majority of the holders of the Controlling Class of Notes will also be entitled to exercise certain other voting rights, subject to the Trustee being indemnified to its satisfaction. Such acceleration, or actions taken pursuant to such other voting rights, could be adverse to the interests of the holders of any other Class of Notes, and the holders of the Controlling Class of Notes will not have any obligation to consider the effect of such acceleration or actions on the holders of any other Class of Notes. In the event that the Trustee receives conflicting or inconsistent requests from two or more groups of holders within the Controlling Class of Notes, each representing less than the requisite majority by Aggregate Outstanding Principal Amount of the Controlling Class of Notes, the Trustee shall give priority to the group which holds the higher/highest percentage of the Aggregate Outstanding Principal Amount of the Controlling Class of Notes.

(c) Enforcement

The Trustee may at any time institute proceedings or take other action against the Issuer to enforce the provisions of the Notes and the Trust Deed but (subject to paragraph (d) below) it shall not be bound to do so unless it shall have been so directed by the requisite majority of the holders of the Controlling Class of Notes or so requested in writing by the Swap Counterparty, provided that, in the event of a conflict, any request of the Swap Counterparty shall prevail (but only where it is owed any Floating Amount(s)), and, in either case, the Trustee shall have been indemnified to its satisfaction; and provided further that the Trustee shall ignore any request of the Swap Counterparty if an Event of Default has occurred or would thereby occur under the Swap Agreement and the Swap Counterparty is or would be the Defaulting Party (as defined in the Swap Agreement). The holders of any other Class of Notes shall not be entitled so to direct the Trustee until all amounts owing to the Trustee, the holders of the Controlling Class of Notes, the Swap Counterparty and the Deposit Account Bank have been paid.

(d) Action following the Security over the Mortgaged Property becoming enforceable

After the security constituted under the Trust Deed over the Mortgaged Property has become enforceable, the Trustee may at its discretion, and shall, if so requested or directed by the requisite majority of the holders of the Controlling Class of Notes, (subject to being indemnified to its satisfaction) realise the Mortgaged Property and/or take such action as may be permitted under applicable laws against any obligor in respect of the Mortgaged Property. Only in the event of failure by such holders so to request or to direct the Trustee within 60 days of the security becoming enforceable may the Swap Counterparty, provided amounts are owed to it under the Swap Agreement and it is not then the Defaulting Party, give directions to the Trustee in respect of the Mortgaged Property. The holders of any other Class of Notes may not so request or direct the Trustee until all amounts owing to the Trustee, the holders of the Controlling Class of Notes and the Swap Counterparty and the Deposit Account Bank have been paid.

(e) General

In connection with the exercise by the Trustee of any of its trusts, powers, authorities and discretions under the Trust Deed (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the holders of each Class of Notes as a class but shall not have regard to any interest arising from circumstances particular to individual Noteholders, whatever their number.

9. Reliance on the Portfolio Manager

The Issuer is reliant on the employees of the Portfolio Manager to make day-to-day decisions on its behalf with respect to the Reference Portfolio. Such day-to-day decisions of the Portfolio Manager are to be made in accordance with the guidelines provided in the Portfolio Management Agreement and in accordance with the primary objective of constructing and managing on an on-going basis a Reference Portfolio which, if matched by a hypothetical cash portfolio, would be expected in the reasonable commercial judgment of the Portfolio Manager to be stable and to yield an appropriate rate of return. As a result, the success of the Issuer is highly reliant on the expertise of the Portfolio Manager. The loss of one or more of the individuals employed by the Portfolio Manager to manage the Issuer's investment programme could have a significant adverse effect on the performance of the Issuer.

The Portfolio Manager is given authority in the Portfolio Management Agreement to manage the Reference Portfolio and to act in specific circumstances in relation to the Reference Portfolio on behalf of the Issuer pursuant to, and in accordance with, the Portfolio Management Agreement. In

undertaking this role, the Portfolio Manager will make such investigation into any Reference Obligation and/or the issuer and/or guarantor of the Reference Obligation as it considers appropriate in its absolute discretion. Such investigations will be limited to a review of readily available public information and will not include due diligence of the kind common in relation to primary securities offerings.

The duties of the Portfolio Manager in managing the Reference Portfolio include adding and removing Reference Obligations to or from the Reference Portfolio. Because the composition of the Reference Portfolio will vary over time, the performance of the Reference Portfolio will be dependent on the ability of the Portfolio Manager to analyse, to select and to manage the Reference Obligations which are the subject of the additions to or removals from the Reference Portfolio. Moreover, the Portfolio Management Agreement may be terminated in certain circumstances described herein under "*Information relating to the Portfolio Management Agreement*" and may result in no new Portfolio Manager being appointed. In such circumstances, the Swap Counterparty may effect Removals at its sole and absolute discretion. See "*Discretion of the Swap Counterparty to effect Removals from the Reference Portfolio*" below.

The performance of any investment in the Notes will be in part dependent on the ability of the Portfolio Manager to manage the Reference Portfolio and the performance of the Portfolio Manager of its obligations under the Portfolio Management Agreement. No assurance can be made with respect to the future performance of the Reference Portfolio or the Portfolio Manager. In particular, any merger of the Portfolio Manager with any entity and/or the loss by the Portfolio Manager of a number of key individuals (see "*Information relating to the Portfolio Manager*" below) could have a material adverse effect on the ability of the Portfolio Manager to perform its obligations under the Portfolio Management Agreement. Although the Portfolio Manager will commit an appropriate amount of its business efforts to the management of the Reference Portfolio, the Portfolio Manager is not required to devote all of its time to such affairs and may continue to advise and manage other investments in the future.

10. Discretion of the Swap Counterparty to effect Removals from the Reference Portfolio

Pursuant to the Portfolio Management Agreement and the Swap Agreement, if the Portfolio Manager is removed or retires and no new Portfolio Manager is appointed, the Swap Counterparty may, in its sole and absolute discretion, effect a Removal from the Reference Portfolio on any Business Day. In effecting such Removal, the Swap Counterparty shall have regard to its own interests and not those of any other persons (including, for the avoidance of doubt, the Noteholders). Moreover, the Swap Counterparty does not need to comply with the conditions set out in the Swap Agreement applying to Removals, as such conditions only apply when the Portfolio Manager is effecting a Removal on behalf of the Issuer.

Any Removals effected by the Swap Counterparty in these circumstances may reduce the weighted average lives of the Notes as a consequence of the reduction of the Outstanding Notional Amount of the Reference Portfolio. There can be no assurance as to whether the Swap Counterparty will effect any such Removals, or the extent of the exercise of its discretion. Removals effected by the Swap Counterparty may lead to the occurrence of a Mandatory Redemption Event (see "*Mandatory Redemption*" below).

If the Portfolio Manager is removed or retires as portfolio manager pursuant to the Portfolio Management Agreement and no replacement portfolio manager has been/is appointed at such time pursuant thereto such that the Swap Counterparty may effect removals of Reference Obligations, notice thereof shall be provided to the Noteholders by the Issuer in accordance with Condition 13 (Notices), and for the avoidance of doubt, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so

require, such notice shall also be published in a daily newspaper of general circulation in Luxembourg (which is expected to be *Luxemburger Wort* or the *Tageblatt*).

11. Redemption

The weighted average life of the Notes measures the average amount of time that is expected to elapse before the principal in relation to the Notes has been repaid to the Noteholders. As each Class of Notes ranks differently in the Priority of Payments, it may be assumed that the weighted average life of each Class of Notes may be different, and that for each Class, this is expected to be shorter than the scheduled life of the Notes (i.e. from the Issue Date until the Scheduled Maturity Date). The weighted average life of each Class of Notes may vary due to a variety of reasons, and there can be no assurance in relation to the exact weighted average life of the Notes at any specific point in time.

It is expected that the weighted average life of each Class of Notes will vary as time elapses. Factors influencing the weighted average life of the Notes include, without limitation, (i) structural features of the Notes (including subordination, the Priority of Payments, optional redemption provisions, mandatory redemption provisions, provisions relating to early redemption for taxation reasons, deferral of principal repayments and the enforcement of the security for the Notes), Replenishments, Removals and amortisations and repayments in relation to the Reference Portfolio under the Swap Agreement, (ii) the structural features of the Reference Obligations (including, without limitation, early redemption provisions, early redemption prices, deferral of redemption provisions, credit enhancement features, the frequency and exercise of any optional redemption features, enforcement of security (if any), the actual level of recoveries and quality of asset/collateral administrators and managers) and (iii) global, regional and industry-specific economic conditions.

(a) *Optional Redemption*

The Notes are subject to early redemption at the election of the Swap Counterparty under the Swap Agreement on the Interest Payment Date falling in May 2010 as provided in the Swap Agreement. Investors may be subject to reinvestment risk in such event. It is not possible to determine in advance whether such optional redemption will be exercised.

(b) *Tax Considerations; Early Redemption for Taxation Reasons*

Each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges, that may be applicable to any payment to it in respect of any Class of Notes.

All payments in respect of the Notes will be made subject to any tax, duty, withholding or other payment which may be required to be made, withheld or deducted and subject to any tax withheld, deducted, assessed or charged on or in relation to payments made under the Swap Agreement and/or the Deposit Account Agreement (such that the Issuer would be unable to make payments in full on the Notes), including, without limitation, any withholding, excise, stamp, registration, documentary or other tax, duty, levy or import of any nature (including any interest, penalty or addition relating thereto). If in these circumstances the Issuer has not arranged for its substitution in relation to its obligations under the Notes and its rights and liabilities under the Swap Agreement and the Deposit Account Agreement, unless the Swap Counterparty elects to pay additional amounts under the Swap Agreement, the Issuer will not pay any additional amounts to Noteholders to reimburse them for any tax, assessment or charge suffered or any tax, assessment or charge required to be withheld or deducted from payments in respect of any Class of Notes by the Issuer or any Paying Agent. The Swap Counterparty and/or the Deposit Account Bank shall not be under any obligation to pay any additional amounts to the Issuer in respect of any such tax, assessment, charge, withholding or

deduction and, if the Swap Counterparty does not elect to make such additional payments, the Notes will pay net of such withholding or deduction unless (i) the Notes are subject to early redemption at their Aggregate Outstanding Principal Amount plus interest accrued thereon to the date on which the Notes are subject to a full redemption pursuant to an Ordinary Resolution of the holders of the Controlling Class of Notes or (ii) where the Issuer has elected to terminate the Swap Agreement pursuant to the terms thereof.

(c) ***Mandatory Redemption***

If a Suspension Event (as defined herein) occurs and/or the Ramp-Up Rating Confirmation is not obtained, no Replenishments will be permitted in relation to the Reference Portfolio, although Removals may be effected. In these circumstances, any Removals effected or amortisations of the Reference Obligations may lead to the occurrence of a Mandatory Redemption Event. A Mandatory Redemption Event may also occur in the circumstances where the Portfolio Manager is removed or retires and no new Portfolio Manager is appointed, and the Swap Counterparty exercises its sole and absolute discretion to effect Removals (see "*Discretion of the Swap Counterparty to affect Removals from the Reference Portfolio*" above). If a Mandatory Redemption Event occurs, the lesser of (i) the amounts standing to the credit of the Deposit Account and (ii) the Notes Amortisation Amount will be applied in redemption of the Notes in order of seniority on a *pro rata* basis.

(d) ***Redemption upon termination of the Credit Default Swap***

The Notes are subject to early redemption upon the designation of an Early Termination Date under the Swap Agreement. These may occur in the circumstances set out under "*Early Termination of the Credit Default Swap*" in the "*Summary of the Credit Default Swap*". Following the termination of the Swap Agreement, a termination payment may be due from either the Issuer or the Swap Counterparty. If due from the Issuer, this will be paid in priority to the Noteholders (except in respect of Subordinated Termination Amounts).

(e) ***Postponement of Redemption Date***

In the event that a Potential Failure to Pay or Credit Event occurs on or prior to the third Business Day immediately preceding the Scheduled Maturity Date or an Optional Maturity Date and either (i) the Notice Delivery Period in respect of such Potential Failure to Pay has not expired before the Scheduled Maturity Date or Optional Maturity Date, as the case may be, or (ii) the Conditions to Payment in respect of such Credit Event have been satisfied but the Floating Amount is yet to be paid to the Swap Counterparty, the scheduled date of redemption of the Notes may be postponed and/or the Notes may be redeemed in part only on the scheduled date of redemption. In such circumstances, interest will continue to accrue on the Notes from (and including) the Scheduled Maturity Date or, as the case may be, the Optional Maturity Date to such later date on which the Notes are subject to redemption at the Base Rate only. The final redemption date of the Notes will be a date not later than 15th December, 2043, subject to adjustment in accordance with the Modified Following Business Day Convention.

In addition, in the event of an early redemption pursuant to Condition 7(b) (*Redemption upon termination of the Credit Default Swap*), 7(e) (*Redemption for taxation reasons*) or 9 (*Events of Default*), the Notes shall only be redeemed after the termination payment (if any) in respect of the Swap Agreement has been calculated. In the event that there are any Interest Payment Dates prior to the date on which the Notes are subject to a full redemption, interest will continue to accrue on the Notes at the Base Rate only.

12. No Reliance

Investors may not rely on the Issuer or any Transaction Parties in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to in these Risk Factors. Neither the Issuer nor any of the Transaction Parties is acting as an investment adviser, or assumes any fiduciary obligation, to any investor of Notes. Neither the Issuer nor any of the Transaction Parties assumes any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any Reference Obligation. Investors may not rely on the views or advice of the Issuer for any information in relation to any person other than the Issuer itself.

13. Suitability

Each investor should ensure that it understands the nature of the Notes and the extent of its exposure to risk, that it has all requisite knowledge and experience in financial and business matters and expertise (or access to professional advisers) to make its own legal, regulatory, tax, accounting and financial evaluation of the merits and risks of an investment in the Notes and to assess the suitability of such Notes in light of its own circumstances and financial condition, including, without limitation, whether the Notes (i) are fully consistent with its (or, if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) comply and are fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) are a fit, proper and suitable investment for it (or, if it is acquiring the Notes in a fiduciary capacity, for the beneficiary).

14. Independent Review

Each investor is responsible for making its own investment decision and its own independent appraisal of and investigation into the risks arising under the criteria in the Swap Agreement for additions to and removals from the Reference Portfolio, as well as any risks associated with the Reference Obligations, the Swap Counterparty, the Portfolio Manager, the Portfolio Administrator, the Custodian, the Account Bank, the Deposit Account Bank, the obligors of the Deposit Collateral and their respective businesses, financial condition, prospects, creditworthiness, status and affairs. Neither the Issuer nor any of the Transaction Parties will have any responsibility or duty to make any such investigations, to keep any such matters under review or to provide the investors with any information in relation to such matters or to advise as to the attendant risks.

15. No Representations

None of the Transaction Parties or the Issuer makes any representation or warranty, express or implied, in respect of any Reference Obligation or in respect of any information contained in any documents prepared, provided or filed by or on behalf of any issuer or guarantor of a Reference Obligation with any of the Transaction Parties, any exchange, governmental, supervisory or self regulatory authority or any other person.

None of the Transaction Parties or the Issuer makes any representation or warranty in respect of the Mortgaged Property or in respect of the Swap Counterparty or, the Portfolio Manager or the Deposit Account Bank (except that the information set forth under the heading "*Information relating to Citibank, N.A., London Branch*" has been obtained from the Swap Counterparty and that the information set forth under the heading "*Information relating to the Portfolio Manager*" has been obtained from the Portfolio Manager).

16. No Provision of Information

The Issuer or any of the Transaction Parties may have acquired, or during the term of the Notes may acquire, information with respect to a Reference Obligation, the issuer and/or guarantor of any Reference Obligation, or the Swap Counterparty or the Deposit Account Bank that may be material in the context of the Notes and may or may not be publicly available or known. None of such persons is under any obligation to make such information available to Noteholders or otherwise.

17. No Agency Relationship

The Swap Counterparty is acting solely as a contractual counterparty under the Swap Agreement. It is not, and will not be deemed to be acting as, the agent or trustee of the Issuer or the Noteholders in connection with the exercise of, or the failure to exercise, any of the rights or powers of the Swap Counterparty under the Swap Agreement or in connection with its holding (if any) of any Reference Obligation.

18. Conflicts of Interest

Various potential and actual conflicts of interest may arise between the interests of the Noteholders, on the one hand, and any of the Transaction Parties on the other hand, as a result of the various businesses and activities of the Transaction Parties, and none of such persons is required to resolve such conflicts of interest in favour of the Noteholders.

The Transaction Parties may deal in Reference Obligations or in other obligations of any issuer and/or guarantor of a Reference Obligation, may acquire or accept information from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business transactions with, any issuer and/or guarantor of a Reference Obligation or otherwise. In connection therewith, the Transaction Parties may pursue such actions and take such steps as they each deem necessary or appropriate in their sole and absolute discretion to protect their respective interests, and in the same manner as if the Swap Agreement and the Notes did not exist and, without regard as to whether such action or steps might give rise to a Credit Event or have an adverse effect on the Notes, Noteholders, Reference Obligations, other obligations of the issuers and/or guarantors of the Reference Obligations or any other Transaction Party.

Furthermore, the Transaction Parties may buy, sell or hold positions in obligations of, or act as investment or commercial bankers, advisers or fiduciaries to, or hold directorship and officer positions in, any issuer and/or guarantor of a Reference Obligation. The Swap Agreement will provide that if no quotations are obtained after the Quotation Period End Date (as defined herein), the Calculation Agent under the Swap Agreement may at its discretion (but shall not be obliged to) obtain firm bid quotations from the Portfolio Manager. In those circumstances, the Portfolio Manager will not be required to have regard to the interests of any other party when offering any such firm bid quotation(s).

19. Limited Liquidity

There is currently no market for the Notes, and there can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide the holders of the Notes with liquidity of investment or that it will continue for the life of the Notes. Neither the Initial Purchaser nor its affiliates are required to make a market in the Notes. In the event that the Initial Purchaser or any of its affiliates commences any market making, it may discontinue doing so at any time without notice. Consequently, a prospective purchaser of the Notes must be prepared to hold its Notes for an indefinite period of time or until the redemption or maturity of the Notes. The Notes may be illiquid even if settled through customary clearance systems or listed on an exchange.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

20. Highly Leveraged Investment

The exposure of the holders of Notes to the credit risk of the Reference Obligations (and their issuers and/or guarantors) is significantly leveraged since the aggregate of the notional amount of the credit default transactions under the Swap Agreement initially is EUR 1,000,000,000 whilst the aggregate Initial Principal Amount of all the Classes of Notes is EUR 100,500,000. The use of leverage is a speculative investment technique that may enhance returns, but also may magnify the risk of loss to Noteholders from Credit Events in respect of the Reference Portfolio.

21. Volatility

The market value of the Notes (whether indicative or firm) is likely to vary substantially over time and may be significantly less than par (or even zero) in certain circumstances. The Notes may not trade at par or at all.

22. Credit Ratings

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; therefore, credit ratings may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. A 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 assigning rating agencies.

Prospective investors should note that it is possible that the Ramp-Up Rating Confirmation may not be obtained on the Ramp-Up Period End Date and may thus be outstanding, with consequences for both the Reference Portfolio and the Notes.

23. Proposed EU Savings Directive

On 3rd June, 2003, the European Council of Economics and Finance Ministers ("**ECOFIN**") agreed on proposals under which, Member States will be required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. Austria, Belgium and Luxembourg will instead apply a withholding system for a transitional period in relation to such payments. In particular, these Member States shall apply a withholding at a rate of 15 per cent. at the beginning of the transitional period and up to a rate of 35 per cent. by the end of that period. Additionally, it was agreed that the adoption of the proposals by the European Union would require certain other non-Member States to adopt a similar withholding system in relation to such payments. ECOFIN announced that the proposals were to take effect from 1st January, 2004 although it is understood that the proposals may now take effect from 1st January, 2005, subject to certain conditions being satisfied before 30th June, 2004.

Until the final text of the directive is decided and the details of any similar withholding systems in the relevant non-Member State countries have been finalised, it is not certain what effect, if any, the adoption of the directive or similar systems would have on the payment of principal or interest in respect of the Notes. However, if the current proposals are implemented, then payments of interest on the Notes which are made or collected through a Member State or any other relevant country may be

subject to withholding tax which would prevent holders of the Notes receiving interest on their Notes in full.

24. Legal opinions

Legal opinions relating to the Notes will be obtained on issue with respect to the laws of England and of the jurisdiction of incorporation of the Issuer but no legal opinions will be obtained with respect to any other applicable laws and no investigations will be made into the validity or enforceability under the laws of any other jurisdiction in respect of the obligations under the Notes. In particular no legal opinions will be obtained in relation to (i) the laws of the country of incorporation of any issuer or guarantor of a Reference Obligation; (ii) the laws of the country of incorporation of the Deposit Account Bank, the Portfolio Administrator, the Custodian or the Account Bank (although legal opinions will be obtained in respect of the Portfolio Manager under the laws of the Republic of Ireland and in respect of the Swap Counterparty under the laws of the United States of America and the State of New York) or (iii) the laws of the country which are expressed to govern the Mortgaged Property. Such laws may affect, *inter alia*, the validity and legal and binding effect of the Mortgaged Property and the effectiveness and ranking of the security for the Notes.

25. The Issuer

The Issuer is a newly-formed entity and has no operating history. The Issuer has no significant assets other than the Mortgaged Property.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be endorsed on or attached to each Global Note and each Note in definitive form.

The EUR 54,500,000 Class A Senior Secured Floating Rate Notes due 2040 (the "**Class A Notes**"), the EUR 17,000,000 Class B Senior Secured Floating Rate Notes due 2040 (the "**Class B Notes**") and the EUR 29,000,000 Class C Senior Secured Floating Rate Notes due 2040 (the "**Class C Notes**" and, together with the Class A Notes and the Class B Notes, the "**Notes**") of High Tide CDO I S.A. (the "**Issuer**") were issued on 11th June, 2003 (the "**Issue Date**") and are constituted and secured by a trust deed dated 11th June, 2003 (as amended and/or supplemented from time to time, the "**Trust Deed**") made between, *inter alios*, the Issuer and Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include its successor(s) as trustee for the holders of the Class A Notes (the "**Class A Noteholders**"), the holders of the Class B Notes (the "**Class B Noteholders**") and the holders of the Class C Notes (the "**Class C Noteholders**" and, together with the Class A Noteholders and the Class B Noteholders, the "**Noteholders**")).

References herein to the Notes shall be references to:

- (i) units of the Specified Denominations (as defined below), in relation to any Class A Notes, Class B Notes or Class C Notes represented by a Temporary Global Note (as defined below) or a Permanent Global Note (as defined below) issued in exchange for a Temporary Global Note; and
- (ii) any Notes in definitive form issued in exchange for a Permanent Global Note.

The Issuer has entered into a credit default swap transaction (the "**Credit Default Swap**") with Citibank, N.A., London Branch (the "**Swap Counterparty**") referencing a portfolio of reference obligations (such portfolio, the "**Reference Portfolio**"), documented by a 1992 ISDA Master Agreement (Multicurrency - Cross Border), as published by the International Swaps and Derivatives Association, Inc. (together with the Schedule thereto dated as of 11th June, 2003 between the Issuer and the Swap Counterparty, the "**CDS Master Agreement**") and a Confirmation dated as of 11th June, 2003 (the "**Swap Confirmation**" and, together with the CDS Master Agreement, the "**Swap Agreement**") between the Issuer and the Swap Counterparty. Under the Credit Default Swap, the Swap Counterparty will make certain payments to the Issuer and the Issuer will make certain payments to the Swap Counterparty.

The Notes have the benefit of an agency agreement dated 11th June, 2003 (as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") between, *inter alios*, the Issuer, the Trustee, Deutsche Bank AG London as principal paying agent and as note calculation agent (in such capacities, the "**Principal Paying Agent**" and the "**Note Calculation Agent**", respectively, which expression shall include any additional or successor principal paying agent or note calculation agent, as the case may be) and Deutsche Bank Luxembourg S.A. as paying agent in Luxembourg (together with the Principal Paying Agent and any other paying agent appointed under the Agency Agreement, the "**Paying Agents**"). The Paying Agents and the Note Calculation Agent are hereinafter together referred to as the "**Agents**" (each an "**Agent**"). The Issuer has entered into an account agreement dated 11th June, 2003 (as amended and/or supplemented and/or restated from time to time, the "**Account Agreement**") with, *inter alios*, Deutsche Bank AG London (in such capacity, the "**Account Bank**"). Pursuant to the Account Agreement, the Account Bank will maintain certain accounts (including, without limitation, the Interest Collection Account (as defined below) and the Principal Collection Account (as defined below)) and will perform certain administrative functions in relation to those accounts (including, without limitation, the transfer of funds to and from such accounts).

The Issuer has entered into a deposit account agreement dated 11th June, 2003 (as amended and/or supplemented and/or restated from time to time, the "**Deposit Account Agreement**") with, *inter alios*, Citibank, N.A., London Branch as deposit account bank (in such capacity, the "**Deposit Account Bank**", which expression shall include any additional or successor deposit account bank). The proceeds of the issue of the Notes shall be put on deposit in an account in the name of the Issuer (such account, the "**Deposit Account**" (as defined further below), which expression shall include any replacement for, and sub-account of, such account) with the Deposit Account Bank. In the event that the Deposit Account Bank ceases to satisfy the Minimum Ratings Requirement, the Deposit Account Bank may, pursuant to the Deposit Account Agreement, elect to post collateral (the "**Deposit Collateral**") consisting of securities or cash (such assets, the "**Eligible Securities**") into an account in the name of the Issuer held with a third party custodian meeting the Custodian Ratings Requirement (the "**Custodian**") (such account, the "**Deposit Collateral Account**", which expression shall include any replacement for, and sub-account of, such account). "**Minimum Ratings Requirement**" means (a) a long-term unsecured and unsubordinated debt rating of at least "A1" by Moody's Investors Service Ltd. ("**Moody's**") and (b) a short-term unsecured and unsubordinated debt rating of at least "P-1" by Moody's and "F1+" by Fitch Ratings Ltd. ("**Fitch**" and, together with Moody's, the "**Rating Agencies**") and "**Custodian Ratings Requirement**" means a long-term rating of at least "A1" by Moody's and a short-term rating of at least "F1+" by Fitch. In certain specified circumstances, additional Deposit Collateral or replacement Deposit Collateral may be posted by the Deposit Account Bank in the Deposit Collateral Account.

The Issuer has entered into a custody agreement dated 11th June, 2003 (as amended and/or supplemented and/or restated from time to time, the "**Custody Agreement**") with, *inter alios*, Deutsche Bank AG London as the Custodian.

The Issuer has entered into a portfolio management agreement dated 11th June, 2003 (as amended and/or supplemented and/or restated from time to time, the "**Portfolio Management Agreement**") with, *inter alios*, ZAIS Group Investment Advisors Limited (in such capacity, the "**Portfolio Manager**"). Pursuant to the Portfolio Management Agreement, the Portfolio Manager will undertake certain day-to-day management and advisory activities in respect of the Reference Portfolio and, where applicable, the Deposit Collateral on behalf of the Issuer.

The Issuer has entered into a portfolio administration agreement dated 11th June, 2003 (as amended and/or supplemented and/or restated from time to time, the "**Portfolio Administration Agreement**") with, *inter alios*, the Portfolio Manager, the Trustee and Deutsche Bank AG London (in such capacity, the "**Portfolio Administrator**"). Pursuant to the Portfolio Administration Agreement, the Portfolio Administrator will undertake certain administrative activities (including, without limitation, the production of the Portfolio Reports (as defined therein)) in respect of the Reference Portfolio and, where applicable, the Deposit Collateral on behalf of the Issuer.

Citigroup Global Markets Limited (in such capacity, the "**Initial Purchaser**") has in a subscription agreement (the "**Subscription Agreement**") dated 11th June, 2003, agreed with the Issuer, subject to satisfaction of certain conditions, to subscribe for the Notes.

Luxembourg International Consulting S.A. (in such capacity, the "**Domiciliation Agent**") has in a domiciliation agreement (the "**Domiciliation Agreement**") dated 15th April, 2003, agreed to provide certain corporate and administrative services to the Issuer.

Copies of the Trust Deed, the Agency Agreement, the Subscription Agreement, the Account Agreement, the Swap Agreement, the Portfolio Management Agreement, the Portfolio Administration Agreement, the Deposit Account Agreement, the Custody Agreement and the Domiciliation Agreement (collectively, the "**Transaction Documents**") can be obtained during usual business hours

at the registered office of the Trustee (presently at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified offices of the Paying Agents for the time being. The Noteholders and the holders of the interest coupons (the "**Coupons**") appertaining to the Notes (the "**Couponholders**") are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Transaction Documents applicable to them.

Any reference in these Terms and Conditions to a "**Class**" of Notes or Noteholders shall be a reference to the Class A Notes, the Class B Notes or the Class C Notes (and, unless the context otherwise requires, shall include in each case any Coupons appertaining thereto) or the respective Noteholders and Couponholders and "**Classes**", in a similar context, shall be construed accordingly.

The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents.

Words and expressions defined in the Transaction Documents shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated.

Subject as provided below, any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note (as defined below), be construed as provided below.

1. **FORM, DENOMINATION AND TITLE**

(a) *Form and Denomination*

Each of the Class A Notes, the Class B Notes and the Class C Notes is in bearer form in the Specified Denomination. If Notes in definitive form are to be issued, the Notes of each such Class of Notes will be issued in the Specified Denomination.

Each Class of Notes is initially represented by a temporary global note (each, a "**Temporary Global Note**"), without Coupons.

"**Specified Denomination**" means, with respect to the Class A Notes, the Class B Notes and the Class C Notes, EUR 100,000.

(b) *Title*

Title to the Notes will pass by delivery. Subject as set out below, the holder of any Note will (except as otherwise ordered by a court of competent jurisdiction or an official authority or except as otherwise required by law) be treated as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership, trust or any other interest therein or writing thereon or notice of any previous loss or theft thereof) for all purposes and except as ordered by a court of competent jurisdiction or an official authority or as required by applicable law, none of the Issuer, the Swap Counterparty, the Trustee, the Account Bank and the Agents or any other person shall be affected by any notice to the contrary or be liable for so treating such holder.

(c) *Global Notes*

Each Temporary Global Note will be deposited with a common depository (the "**Common Depository**") on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Beneficial interests in a Temporary Global Note will be exchanged for interests in a

permanent global note (each, a "**Permanent Global Note**" and, together with the Temporary Global Notes, the "**Global Notes**", and each a "**Global Note**"), without Coupons, of the same Class of Notes on or after the 40th day after the completion of the distribution of the Notes and upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations.

For so long as any of the Notes is represented by a Global Note which is held on behalf of Euroclear or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes or interests in such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes or interests in such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such principal amount of such Notes or interests in such Notes for all purposes other than with respect to the payment of principal or interest or interests in such Notes, for which purpose the holder of the relevant Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such principal amount of such Notes or interests in such Notes in accordance with and subject to the terms of the relevant Global Note. The expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular principal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

(d) *Exchange*

Interests in a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Notes in individual definitive form only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (1) a Note Event of Default (as defined in Condition 9 (*Events of Default*)) has occurred and is continuing, (2) the Issuer has been notified by the Trustee or any Agent that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 28 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no alternative clearing system acceptable to the Trustee is available, (3) the Issuer has or will become subject to adverse tax events which would not be required were the Notes in definitive form and a certificate signed by two directors of the Issuer to such effect is given by the Issuer to the Trustee or (4) the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate signed by two directors of the Issuer to such effect is given by the Issuer to the Trustee. Upon the issue of Notes in definitive form, the Issuer may, with the prior written approval of the Trustee, appoint additional Agents and make such modifications to these Terms and Conditions, the Trust Deed and the other Transaction Documents as it deems appropriate in the circumstances.

2. STATUS OF THE NOTES AND ORDER OF PRIORITIES

(a) *Status of the Notes*

The Notes constitute secured, limited recourse obligations of the Issuer. Recourse in respect of the Notes is limited in the manner described in Condition 10 (*Enforcement*). The Notes of each Class are secured in the manner described in Condition 3 (*Security*) and, within each Class, shall at all times rank *pari passu* and without any preference amongst themselves.

Payments of principal and interest on the Class A Notes will rank senior to payments of principal and interest in respect of each other Class of Notes. Payments of principal and interest on the Class B Notes will be subordinated in right of payment to payments of principal and interest in respect of the Class A Notes, but senior in right of payment to payments of principal and interest on the Class C Notes. Payments of principal and interest on the Class C Notes will be subordinated in right of payment to payments of principal and interest on the Class A Notes and the Class B Notes.

(b) *Order of priorities prior to enforcement*

(i) *Interest*

Prior to enforcement of the security for the Notes, on each Interest Payment Date (as defined in Condition 5(a)(i) (*Interest - Calculation of Interest - General Definitions*) below) and each date on which the Notes are subject to redemption, the Portfolio Administrator shall procure that all amounts standing to the credit of the Interest Collection Account (or, in the case of (B) below only, the Tax Reserve Account (as defined below)) are applied on behalf of the Issuer in the following order of priority (such order, the "**Pre-Enforcement Priority of Payments: Interest Waterfall**"), to the extent of funds available therefor:

- (A) in payment of the Tax Reserve Amount (as defined in the Swap Agreement) to the Tax Reserve Account and to the payment of any other taxes due to the Luxembourg tax authority other than those arising in connection with the Profit Percentage (as defined in the Swap Agreement);
- (B) in payment of any due but unpaid Residual Counterparty Amount (as defined in the Swap Agreement) to the Swap Counterparty;
- (C) in payment of any amounts payable to the Trustee in respect of fees, expenses and liabilities payable under the relevant Transaction Documents, provided that the aggregate amount of all fees, expenses and liabilities paid pursuant to this sub-paragraph (C) does not exceed EUR 50,000;
- (D) *pro rata* and *pari passu* in payment or satisfaction of fees, expenses and liabilities (including without limitation amounts payable under Clauses 16 and/or 17(J) of the Trust Deed, fees payable to the Agents, the Portfolio Administrator, the Custodian, the Account Bank, the Domiciliation Agent under the relevant Transaction Documents and fees payable to the independent accountants, the process agents and the Rating Agencies) properly incurred by the Issuer in connection with the Notes, provided that the aggregate amount of all such fees, expenses and liabilities paid pursuant to sub-paragraph (C) above and this sub-paragraph (D) does not exceed EUR 215,000;

- (E) in payment of any due but unpaid Senior Management Fee (as defined in the Portfolio Management Agreement) to the Portfolio Manager;
 - (F) in payment of amounts due but unpaid to the Swap Counterparty (except for any Swap Counterparty Subordinated Termination Amount (as defined below) due, but unpaid, to the Swap Counterparty, any Deferred Swap (Interest) Fee, Deferred Swap (Principal) Fee, Deferred Swap (Post-Enforcement) Fee and any Residual Counterparty Amount (each as defined in the Swap Agreement));
 - (G) *pro rata* and *pari passu* in meeting the claims of the Class A Noteholders in respect of interest on the Class A Notes in respect of the Interest Period ending on such Interest Payment Date;
 - (H) *pro rata* and *pari passu* in meeting the claims of the Class B Noteholders in respect of interest on the Class B Notes in respect of the Interest Period ending on such Interest Payment Date;
 - (I) *pro rata* and *pari passu* in meeting the claims of the Class C Noteholders in respect of interest on the Class C Notes in respect of the Interest Period ending on such Interest Payment Date;
 - (J) to the extent not satisfied under sub-paragraph (C) above, accrued fees, expenses and liabilities described in sub-paragraph (C) above;
 - (K) to the extent not satisfied under sub-paragraph (D) above, *pro rata* and *pari passu* in payment of any accrued fees, expenses and liabilities described in sub-paragraph (D) above;
 - (L) *pro rata* and *pari passu* in payment of any amounts payable to the Initial Purchaser under the Subscription Agreement;
 - (M) *pro rata* and *pari passu* (i) to the extent not paid under the Pre-Enforcement Priority of Payments: Principal Waterfall (as defined below), to the Principal Collection Account to pay amounts owing but not paid under paragraphs (F) to (K) of the Pre-Enforcement Priority of Payments: Principal Waterfall and (ii) any Swap Counterparty Subordinated Termination Amount due, but unpaid, to the Swap Counterparty; and
 - (N) in payment of the Deferred Swap (Interest) Fee to the Swap Counterparty.
- (ii) *Principal*

Prior to enforcement of the security for the Notes and subject to Condition 7(f) (*Redemption - Postponement of redemption date*), on each date on which the Notes are subject to redemption, the Portfolio Administrator shall procure that all amounts standing to the credit of the Principal Collection Account are applied on behalf of the Issuer in the following order of priority (such order, the "**Pre-Enforcement Priority of Payments: Principal Waterfall**"), to the extent of funds available therefor:

- (A) to the extent not satisfied in accordance with the Pre-Enforcement Priority of Payments: Interest Waterfall in sub-paragraph (i) above, in payment of the

Tax Reserve Amount to the Tax Reserve Account and to the payment of any other taxes due to the Luxembourg tax authority other than those arising in connection with the Profit Percentage;

- (B) to the extent not satisfied in accordance with the Pre-Enforcement Priority of Payments: Interest Waterfall in sub-paragraph (i) above, in payment of any amounts payable to the Trustee in respect of fees, expenses and liabilities payable under the relevant Transaction Documents, provided that the aggregate amount of all fees, expenses and liabilities paid pursuant to sub-paragraph (i)(C) above and this sub-paragraph (B) does not exceed EUR 50,000;
- (C) to the extent not satisfied in accordance with the Pre-Enforcement Priority of Payments: Interest Waterfall in sub-paragraph (i) above, *pro rata* and *pari passu* in payment or satisfaction of fees, expenses and liabilities (including without limitation amounts payable under Clauses 16 and/or 17(J) of the Trust Deed, fees payable to the Agents, the Portfolio Administrator, the Custodian, the Account Bank, the Domiciliation Agent under the relevant Transaction Documents and fees payable to the independent accountants, the process agents and the Rating Agencies) properly incurred by the Issuer in connection with the Notes, provided that the aggregate amount of all such fees, expenses and liabilities paid pursuant to sub-paragraphs (i)(C), (i)(D) and (ii)(B) above and this sub-paragraph (C) does not exceed EUR 215,000;
- (D) to the extent not satisfied in accordance with the Pre-Enforcement Priority of Payments: Interest Waterfall in sub-paragraph (i) above, in payment of any due but unpaid Senior Management Fee to the Portfolio Manager;
- (E) to the extent not satisfied in accordance with the Pre-Enforcement Priority of Payments: Interest Waterfall in sub-paragraph (i) above, in payment of amounts due but unpaid to the Swap Counterparty (except for any Swap Counterparty Subordinated Termination Amount due, but unpaid, to the Swap Counterparty, any Deferred Swap (Interest) Fee, Deferred Swap (Principal) Fee, Deferred Swap (Post-Enforcement) Fee and any Residual Counterparty Amount);
- (F) *pro rata* and *pari passu* in meeting the claims of the Class A Noteholders in respect of principal;
- (G) to the extent not satisfied in accordance with the Pre-Enforcement Priority of Payments: Interest Waterfall in sub-paragraph (i) above, *pro rata* and *pari passu* in meeting the claims of the Class A Noteholders in respect of interest on the Class A Notes;
- (H) *pro rata* and *pari passu* in meeting the claims of the Class B Noteholders in respect of principal;
- (I) to the extent not satisfied in accordance with the Pre-Enforcement Priority of Payments: Interest Waterfall in sub-paragraph (i) above, *pro rata* and *pari passu* in meeting the claims of the Class B Noteholders in respect of interest on the Class B Notes;

- (J) *pro rata* and *pari passu* in meeting the claims of the Class C Noteholders in respect of principal;
 - (K) to the extent not satisfied in accordance with the Pre-Enforcement Priority of Payments: Interest Waterfall in sub-paragraph (i) above, *pro rata* and *pari passu* in meeting the claims of the Class C Noteholders in respect of interest on the Class C Notes;
 - (L) to the extent not satisfied under the Pre-Enforcement Priority of Payments: Interest Waterfall in sub-paragraph (i) above and sub-paragraph (ii)(B) above, in payment of any accrued fees, expenses and liabilities described in sub-paragraph (ii)(B) above;
 - (M) to the extent not satisfied under the Pre-Enforcement Priority of Payments: Interest Waterfall in sub-paragraph (i) above and sub-paragraph (ii)(C) above, *pro rata* and *pari passu* in payment of any accrued fees, expenses and liabilities described in sub-paragraph (ii)(C) above;
 - (N) to the extent not satisfied in accordance with the Priority of Payments: Interest Waterfall in subparagraph (i) above, *pro rata* and *pari passu* in payment of any amounts payable to the Initial Purchaser under the Subscription Agreement;
 - (O) to the extent not satisfied in accordance with the Pre-Enforcement Priority of Payments: Interest Waterfall in sub-paragraph (i) above, any Swap Counterparty Subordinated Termination Amount due, but unpaid, to the Swap Counterparty; and
 - (P) if the Aggregate Outstanding Principal Amount (as defined below) in respect of each Class of Notes has been reduced to zero, in payment of the Deferred Swap (Principal) Fee to the Swap Counterparty.
- (iii) *Deposit Collateral and Transfers*

Prior to the enforcement of the security for the Notes, the Portfolio Administrator shall procure that all amounts standing to the credit of the Deposit Collateral Account are applied on behalf of the Issuer in payment of amounts required to be paid or transferred by the Issuer to the Deposit Account Bank pursuant to the terms of the Deposit Account Agreement, but excluding any fees and expenses to be paid to the Deposit Account Bank pursuant thereto (which shall be paid under the Pre-Enforcement Priority of Payments: Interest Waterfall and/or the Pre-Enforcement Priority of Payments: Principal Waterfall, as applicable) (such application, the "**Pre-Enforcement Priority of Payments: Deposit Collateral**").

- (iv) For the purposes of these Terms and Conditions:

"**Swap Counterparty Subordinated Termination Amount**" means a termination payment due to the Swap Counterparty pursuant to any of:

- (a) the occurrence of an Event of Default (as defined in the Swap Agreement) where the Swap Counterparty is the Defaulting Party (as defined in the Swap Agreement);

- (b) the occurrence of an Additional Termination Event (as defined in the Swap Agreement) following the failure of the Swap Counterparty to comply with its obligations under the "Ratings Downgrade" provision in the Swap Agreement;
- (c) the occurrence of a Tax Event Upon Merger Termination Event (as defined in the Swap Agreement) where the Swap Counterparty is the Affected Party (as defined in the Swap Agreement); and
- (d) the occurrence of a Note Event of Default pursuant to Condition 9(d) (*Events of Default*) if the Swap Counterparty under the Swap Agreement is the same entity as the Deposit Account Bank under the Deposit Account Agreement.

3. SECURITY

(a) *Security Interests*

The obligations of the Issuer in respect of all of its liabilities under Condition 2(b) (*Status of the Notes and Order of Priorities - Order of priorities prior to enforcement*) and 3(c)(i) (*Security - Application of Proceeds - Mortgaged Property*) are secured under the Trust Deed by:

- (i) an assignment by way of first fixed security in favour of the Trustee of all of the Issuer's rights, title and interest in, to and under the Agency Agreement (including, without limitation, the rights of the Issuer in respect of all funds and/or assets held from time to time by the Principal Paying Agent and the other Paying Agents for payment of principal or interest in respect of the Notes or otherwise in relation to the Notes);
- (ii) an assignment by way of first fixed security in favour of the Trustee of all of the Issuer's rights, title and interest in, to and under any of its bank accounts, the amounts standing to the credit thereof and the debts represented thereby excluding the Issuer's bank accounts in Luxembourg or elsewhere containing the paid up ordinary share capital and any transaction fees of the Issuer;
- (iii) an assignment by way of first fixed security in favour of the Trustee in respect of all of the Issuer's rights, title and interest in, to and under the Swap Agreement (including, without limitation, all sums and/or assets received or receivable in respect of the Swap Agreement) and all amounts owing to the Issuer in relation to the Swap Agreement and the debts represented thereby;
- (iv) an assignment by way of first fixed security in favour of the Trustee in respect of all of the Issuer's rights, title and interest in, to and under the Subscription Agreement and all amounts owing to the Issuer in relation to the Subscription Agreement and the debts represented thereby;
- (v) an assignment by way of first fixed security in favour of the Trustee in respect of all of the Issuer's rights, title and interest in, to and under the Portfolio Management Agreement and all amounts owing to the Issuer in relation to the Portfolio Management Agreement and the debts represented thereby;
- (vi) an assignment by way of first fixed security in favour of the Trustee in respect of all of the Issuer's rights, title and interest in, to and under the Portfolio Administration

Agreement and all the amounts owing to the Issuer in relation to the Portfolio Administration Agreement and the debts represented thereby;

- (vii) an assignment by way of first fixed security in favour of the Trustee in respect of all of the Issuer's rights, title and interest in, to and under the Account Agreement and all amounts owing to the Issuer in relation to the Account Agreement and the debts represented thereby;
- (viii) an assignment by way of first fixed security in favour of the Trustee in respect of all the Issuer's rights, title and interest in, to and under the Custody Agreement and all amounts owing to the Issuer in relation to the Custody Agreement and the debts represented thereby;
- (ix) without prejudice to the generality of Condition 3(a)(ii) (*Security - Security Interests*), an assignment by way of first fixed security in favour of the Trustee in respect of all of the Issuer's rights, title and interest in, to and under bank account number 101 36190 of the Issuer held with the Deposit Account Bank designated: "High Tide CDO I Deposit Account" (such account and any replacement for, and sub-account(s) of, such account, collectively, the "**Deposit Account**"), and custody account number 27551 of the Issuer held with the Custodian designated: "High Tide CDO I Deposit Collateral Account" (such account and any replacement for, and sub-account(s) of, such account, collectively, the "**Deposit Collateral Account**"), and in each case all amounts or other assets from time to time standing to the credit thereof and the debts represented thereby;
- (x) an assignment by way of first fixed security in favour of the Trustee in respect of all the Issuer's rights, title and interest in, to and under all amounts or other assets standing to the credit of the Deposit Account or the Deposit Collateral Account from time to time;
- (xi) an assignment by way of first fixed security in favour of the Trustee in respect of all the Issuer's rights, title and interest in, to and under the Deposit Account Agreement, but without prejudice to the contractual netting provisions contained in the Deposit Account Agreement, and all amounts owing to the Issuer in relation to the Deposit Account Agreement and the debts represented thereby;
- (xii) without prejudice to Condition 3(a)(vii) (*Security - Security Interests*) or the generality of Condition 3(a)(ii) (*Security - Security Interests*), an assignment by way of first fixed security in favour of the Trustee in respect of all of the Issuer's rights, title and interest in, to and under bank account number 0242835 0000 EUR 000 LDN of the Issuer held with the Account Bank designated "High Tide CDO I Interest Collection Account" (such account and any replacement for, and sub-account(s) of, such account, collectively, the "**Interest Collection Account**"), and all amounts from time to time standing to the credit thereof and the debts represented thereby;
- (xiii) without prejudice to Condition 3(a)(vii) (*Security - Security Interests*) or the generality of Condition 3(a)(ii) (*Security - Security Interests*), an assignment by way of first fixed security in favour of the Trustee in respect of all of the Issuer's rights, title and interest in, to and under bank account number 0242835 0000 EUR 001 LDN of the Issuer held with the Account Bank designated "High Tide CDO I Principal Collection Account" (such account and any replacement for, and sub-account(s) of, such account, collectively, the "**Principal Collection Account**"), and all amounts from time to time standing to the credit thereof and the debts represented thereby; and

- (xiv) without prejudice to Condition 3(a)(vii) (*Security - Security Interests*) or the generality of Condition 3(a)(ii) (*Security - Security Interests*) an assignment by way of first fixed security in favour of the Trustee in respect of all of the Issuer's rights, title and interest in, to and under bank account number 0242835 0000 EUR 002 LDN of the Issuer held with the Account Bank designated "High Tide CDO I Tax Reserve Account" (such account and any replacement for, and sub-account(s) of, such account, collectively, the "**Tax Reserve Account**"), and all amounts from time to time standing to the credit thereof and the debts represented thereby.

The Trustee (for itself and as trustee for, and, for the purposes of Luxembourg law (if applicable), as agent (*mandataire*) acting in the name of and on behalf of, the other secured parties), the Noteholders, the Swap Counterparty, the Portfolio Manager, the Portfolio Administrator, the Custodian, the Deposit Account Bank, the Account Bank, the Custodian, the Initial Purchaser, the Domiciliation Agent and the Agents (the "**Secured Parties**") are also secured pursuant to the Trust Deed by a first floating charge over the whole of the assets and undertaking of the Issuer (other than (1) the monies representing paid up ordinary share capital of the Issuer and (2) any transaction fees payable to the Issuer for the issue of Notes) which will become enforceable upon an application to the court for an administration order or the service of a notice of intention to appoint an administrator, subject, however, to the charges and assignments set out above which shall rank prior to such floating charge in relation to the assets subject to such charges and assignments.

The assets subject to the security referred to above are herein together referred to as "**Mortgaged Property**".

(b) *Realisation of Mortgaged Property*

The security constituted under the Trust Deed over the Mortgaged Property shall, subject to the specific provisions of Clause 8(A)(y) of the Trust Deed in relation to the first floating charge, become enforceable upon the occurrence of a Note Event of Default under Condition 9 (*Events of Default*) or where the Notes have become due and repayable (whether at maturity or on an early redemption). In that event, the Trustee may in its discretion and, if so requested in writing by the holders of at least 66 2/3 per cent. in Aggregate Outstanding Principal Amount (as defined in Condition 7(a) (*Redemption - Redemption at maturity*)) of the Controlling Class of Notes (as defined in Condition 10 (*Enforcement and Limited Recourse*)) or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders of the Controlling Class of Notes or, in the event of failure by the Noteholders of the Controlling Class of Notes so to request or to direct the Trustee either in writing or by an Extraordinary Resolution as aforesaid within 60 days of the security becoming enforceable (and failure for such purpose excludes any negative direction from the relevant Noteholders), if so requested in writing by the Swap Counterparty (provided the Swap Counterparty is not then a Defaulting Party (as defined in the Swap Agreement) shall (but in each case without any liability as to the consequence of such action and without having regard to the effect of such action on individual Noteholders or the Swap Counterparty or any other Secured Party), realise such Mortgaged Property and/or take such action as may be permitted under applicable laws against any obligor in respect of such Mortgaged Property, provided that the Trustee shall not be required to take any such action unless indemnified and/or secured to its satisfaction and subject as provided in Condition 10 (*Enforcement and Limited Recourse*).

The expression "**Extraordinary Resolution**" is defined in the Trust Deed as (i) a resolution passed at a meeting of the Noteholders of the relevant Class(es) of Notes duly convened and

held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-fourths of the votes cast on such poll or (ii) a resolution in writing signed by or on behalf of Noteholders of the relevant Class(es) of Notes holding in the aggregate not less than 80 per cent. of the Aggregate Outstanding Principal Amount of the relevant Class(es) of Notes for the time being outstanding, which resolution in writing may be contained in one document or several documents in like form each signed by or on behalf of one or more Noteholders.

None of the Trustee, the shareholders of the Issuer, the Swap Counterparty, the Deposit Account Bank, the Account Bank, the Portfolio Manager, the Portfolio Administrator, the Custodian, the Initial Purchaser or any Agent has any obligation to any Noteholder for payment of any amount by the Issuer in respect of the Notes.

(c) *Application of proceeds*

(i) *Mortgaged Property*

Following enforcement of any of the security for the Notes, the Trustee or any receiver appointed thereby will apply the Realisation Amount (as defined below) in the following order of priority (such order, the "**Post-Enforcement Priority of Payments**" and, together with the Pre-Enforcement Priority of Payments: Interest Waterfall, the Pre-Enforcement Priority of Payments: Principal Waterfall and the Pre-Enforcement Priority of Payments: Deposit Collateral, the "**Priority of Payments**"):

- (A) in payment of the Tax Reserve Amount to the Tax Reserve Account and to the payment of any other taxes due to the Luxembourg tax authority other than those arising in connection with the Profit Percentage;
- (B) to the extent of funds available therefor, in payment of any due but unpaid Residual Counterparty Amount to the Swap Counterparty;
- (C) to the extent of funds available therefor, *pro rata* and *pari passu* in payment or satisfaction of all amounts due and unpaid under Clauses 16 and/or 17(J) of the Trust Deed to the Trustee and/or any receiver or appointee of the Trustee and of the fees, costs, charges, expenses and liabilities incurred by the Trustee and/or any receiver or any other appointee of the Trustee in the preparation and execution of the trusts, powers, duties and discretions set out in the Trust Deed (including any remuneration of the Trustee) and the costs of realisation of the Mortgaged Property together with the value added taxes thereon;
- (D) to the extent of funds available therefor, *pro rata* and *pari passu* in payment or satisfaction of the fees, expenses and liabilities (including, without limitation, legal fees, fees payable to the Agents, the Portfolio Administrator, the Custodian, the Account Bank, the Domiciliation Agent and fees payable to the independent accountants, the process agents and annual surveillance fees due to the Rating Agencies in relation to the Notes) properly incurred by the Issuer in connection with the Notes;
- (E) to the extent of funds available therefor, in payment of any due but unpaid Senior Management Fee to the Portfolio Manager;
- (F) to the extent of funds are available therefor, in meeting the aggregate claims of the Deposit Account Bank in respect of Net Settlement Amounts (as

defined in the Deposit Account Agreement) owing to it under the Deposit Account Agreement;

- (G) to the extent of funds available therefor, in meeting the aggregate claims of the Swap Counterparty in respect of amounts owing to it under the Swap Agreement (except for any Swap Counterparty Subordinated Termination Amount owing to the Swap Counterparty, any Deferred Swap (Interest) Fee, Deferred Swap (Principal) Fee, Deferred Swap (Post-Enforcement) Fee and any Residual Counterparty Amount);
- (H) to the extent of funds available therefor, *pro rata* and *pari passu* in meeting the claims of the Class A Noteholders in respect of interest on the Class A Notes;
- (I) to the extent of funds available therefor, *pro rata* and *pari passu* in meeting the claims of the Class A Noteholders in respect of principal of the Class A Notes;
- (J) to the extent of funds available therefor, *pro rata* and *pari passu* in meeting the claims of the Class B Noteholders in respect of interest on the Class B Notes;
- (K) to the extent of funds available therefor, *pro rata* and *pari passu* in meeting the claims of the Class B Noteholders in respect of principal of the Class B Notes;
- (L) to the extent of funds available therefor, *pro rata* and *pari passu* in meeting the claims of the Class C Noteholders in respect of interest on the Class C Notes;
- (M) to the extent of funds available therefor, *pro rata* and *pari passu* in meeting the claims of the Class C Noteholders in respect of principal of the Class C Notes;
- (N) to the extent of funds available therefor, any Swap Counterparty Subordinated Termination Amount owing to the Swap Counterparty;
- (O) to the extent of funds available therefor, *pro rata* and *pari passu* in payment of any amounts payable to the Initial Purchaser under the Subscription Agreement; and
- (P) to the extent of funds available therefor, if the Aggregate Outstanding Principal Amount of each Class of Notes has been reduced to zero, in payment of the Deferred Swap (Post-Enforcement) Fee to the Swap Counterparty.

(ii) *Definitions relating to the application of proceeds*

For the purposes of these Terms and Conditions:

"Realisation Amount" means the net proceeds in euro of the enforcement of the Credit Default Swap and/or the realisation or enforcement in respect of any other

Mortgaged Property received by or on behalf of the Issuer (or, in the case of enforcement, by or on behalf of the Trustee).

4. RESTRICTIONS

So long as any of the Notes remains outstanding, the Issuer will not, without the prior written consent of the Swap Counterparty:

- (i) engage in any activity or do anything whatsoever, except:
 - (A) issue Notes as contemplated by the Trust Deed;
 - (B) perform its obligations under the Trust Deed, the Agency Agreement, the Deposit Account Agreement, the Swap Agreement and the other Transaction Documents and any agreements incidental to the issue and constitution of, and the granting of security for, the Notes;
 - (C) enforce or take any action to exercise any of its rights whether under the Trust Deed, the Agency Agreement, the Deposit Account Agreement or the other Transaction Documents or otherwise under any agreement entered into in relation to the Notes or the Mortgaged Property; or
 - (D) perform any act incidental to or necessary in connection with any of the above;
- (ii) have any subsidiaries;
- (iii) subject to sub-paragraphs (i) above and (iv) below, dispose of any of its property or other assets or any part thereof or interest therein;
- (iv) create or permit within its control to subsist any charge, mortgage, lien or other encumbrance over the Mortgaged Property other than those encumbrances created pursuant to, or as referred to in the Trust Deed;
- (v) have any employees;
- (vi) declare any dividends or make any distributions of any other kind;
- (vii) issue any further shares;
- (viii) own or lease any premises;
- (ix) take any action which would lead to the winding up of itself;
- (x) amend or consent to the amendment of any Transaction Document; or
- (xi) perform such other activities as are expressly restricted in the Trust Deed.

5. INTEREST

(a) *Calculation of interest*

(i) *General Definitions*

"**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, New York, Dublin and which is a TARGET Settlement Day (as defined below).

"**Interest Payment Date**" means, with respect to a Note, the 15th day of each February, May, August and November in each year beginning on 15th August, 2003, to and including the date on which such relevant Note is subject to a full redemption. If any Interest Payment Date is not a Business Day, such Interest Payment Date shall be adjusted in accordance with the Modified Following Business Day Convention (as defined below).

"**Interest Period**" means the period from (and including) an Interest Payment Date (or as the case may be, the Issue Date) to (but excluding) the next (or, as the case may be, the first) Interest Payment Date.

"**Modified Following Business Day Convention**" means that, if any Interest Payment Date, the Scheduled Maturity Date or the Legal Maturity Date would otherwise fall on a day which is not a Business Day, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

"**TARGET Settlement Day**" means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System ("**TARGET**") is open.

References in this Condition 5 to "**daily weighted average**" of the Aggregate Outstanding Principal Amount in respect of a Class of Notes, for any Interest Period, means an amount equal to (i) the sum of the amount of such Aggregate Outstanding Principal Amount of such Class for each day in such Interest Period, divided by (ii) the number of days in such Interest Period.

References in this Condition 5 to "**daily weighted average**" of the Adjusted Aggregate Outstanding Principal Amount in respect of a Class of Notes, for any Interest Period, means an amount equal to (i) the sum of the amount of such Adjusted Aggregate Outstanding Principal Amount of such Class for each day in such Interest Period, divided by (ii) the number of days in such Interest Period.

For the purpose of this Condition 5, the Aggregate Outstanding Principal Amount of each Class of Notes on any day which is the first or second Business Day immediately preceding an Interest Payment Date shall be deemed to be the same as the Aggregate Outstanding Principal Amount of such Class on the third Business Day immediately preceding such Interest Payment Date. For the avoidance of doubt, the Aggregate Outstanding Principal Amount of each Class of Notes on each day from and including the Interest Determination Date (as defined below) to but excluding the Interest Payment Date shall be deemed to be the same as the Aggregate Outstanding Principal Amount of such Class on the Business Day prior to the Interest Determination Date.

(ii) *Rates of Interest and Interest Amounts*

Unless previously redeemed and cancelled as provided in Condition 7 (*Redemption*) and subject to Condition 7(f) (*Redemption - Postponement of redemption date*), each Class of Notes will bear interest from and including the Closing Date to but excluding the Scheduled Maturity Date (as defined below).

Subject to these Terms and Conditions, in respect of each Interest Period and each Class of Notes, interest will be payable in arrear on the Interest Payment Date immediately following the end of such Interest Period in an amount in euro as determined by the Note Calculation Agent equal to the sum of:

- (A) the product of (x) the daily weighted average of the Aggregate Outstanding Principal Amount in respect of the relevant Class of Notes in such Interest Period, (y) the relevant Base Rate (as defined below) for such Interest Period and (z) the Day Count Fraction (as defined below), rounded to the nearest euro, half of any such euro being rounded upwards; and
- (B) the product of (x) the daily weighted average of the Adjusted Aggregate Outstanding Principal Amount in respect of the relevant Class of Notes in such Interest Period, (y) the relevant Spread (as defined below) for such Interest Period and (z) the Day Count Fraction, rounded to the nearest euro, half of any such euro being rounded upwards,

(such sum, the "**Interest Amount**").

For the purposes of this Condition:

"Adjusted Aggregate Outstanding Principal Amount" means:

- (a) in respect of the Class A Notes, the Tranche A Amount (as defined in the Swap Agreement) as of such day;
- (b) in respect of the Class B Notes, the Tranche B Amount (as defined in the Swap Agreement) as of such day; and
- (c) in respect of the Class C Notes, the Tranche C Amount (as defined in the Swap Agreement) as of such day.

"Base Rate" means the Floating Rate Option of Designated Maturity, as such terms are defined below and used in the 2000 ISDA Definitions (the "**2000 ISDA Definitions**"), as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date.

"Day Count Fraction" means the actual number of days in an Interest Period divided by 360.

"Designated Maturity" means three months.

"EUR-EURIBOR-Telerate" means that the rate for a Reset Date (as defined below) will be the rate for deposits in euros for a period of the Designated Maturity which appears on the Moneyline Telerate Page 248 as of 11:00 a.m., Brussels time, on the

day that is two TARGET Settlement Days preceding that Reset Date, except in respect of the first Interest Period where the rate for the first Reset Date will be 2.142 per cent. per annum.

"Floating Rate Option" means EUR-EURIBOR-Telerate.

"Margin Termination Date" means the earliest to occur of: (a) the Scheduled Maturity Date (as defined below), (b) the Optional Maturity Date (as defined in the Swap Agreement), (c) the first Fixed Rate Payer Payment Date (as defined in the Swap Agreement) as of which the aggregate of the Tranche A Amount, the Tranche B Amount and the Tranche C Amount is reduced to zero and (d) the Early Termination Date (as defined in the Swap Agreement).

"Reset Date" means the first day of each Interest Period.

"Spread" means a per annum percentage as determined by the Note Calculation Agent (taking into account any reduction in accordance with sub-paragraph (z) below) equal to:

- (x) subject to sub-paragraph (z) below, in relation to the Interest Periods from and including that commencing on the Issue Date to and including the Interest Period ending on the Interest Payment Date falling in May 2010:
 - (a) in respect of the Class A Notes, 0.63 per cent.;
 - (b) in respect of the Class B Notes, 1.00 per cent.; and
 - (c) in respect of the Class C Notes, 2.25 per cent.;
- (y) subject to sub-paragraph (z) below, in relation to the Interest Periods from and including that commencing on the Interest Payment Date falling in May 2010 to and including the Interest Period ending on the Scheduled Maturity Date:
 - (a) in respect of the Class A Notes, 1.89 per cent.;
 - (b) in respect of the Class B Notes, 3.00 per cent.; and
 - (c) in respect of the Class C Notes, 6.75 per cent.;
- (z) in relation to the Interest Periods from and including that commencing on the Margin Termination Date to and including the Interest Period ending on the date of redemption, in respect of each Class of Notes, zero per cent.

For the avoidance of doubt, in the event that sub-paragraph (z) becomes applicable, the Spread shall be reduced as from the Margin Termination Date and the Interest Amounts for such Interest Period shall be calculated accordingly by the Note Calculation Agent.

(iii) *Determination and Notification of Interest Amounts*

The Note Calculation Agent shall determine the Base Rate and Interest Payment Date for each Class of Notes for an Interest Period as soon as practicable after 11.00 a.m.

London time on the second TARGET Settlement Day preceding the Interest Payment Date on which such Interest Period commences, but in no event later than the second Business Day thereafter (such date, an "**Interest Determination Date**"). The Note Calculation Agent shall notify the Deposit Account Bank of its determination of the Base Rate as soon as possible after it has determined such rate. In addition, the Note Calculation Agent shall, subject to receipt of confirmation of the relevant Tranche Amounts (as defined in the Swap Agreement) and the relevant Fixed Amounts (as defined in the Swap Agreement) due from the Swap Counterparty, determine the Spread and the Interest Amount for each Class of Notes for an Interest Period as soon as practicable after the determination of the Base Rate on the second Business Day preceding the Interest Payment Date immediately following such Interest Period. The Note Calculation Agent shall notify the Issuer and the Principal Paying Agent of each Interest Payment Date, Base Rate, Spread and each Interest Amount and the Principal Paying Agent shall notify the Trustee, the Luxembourg Stock Exchange and the other Paying Agents of each Interest Payment Date, Base Rate, Spread and Interest Amount for each Interest Period as soon as possible after their determination but in no event later than the relevant second Business Day thereafter. The Issuer shall procure that notices of the Interest Payment Date, Base Rate, Spread and Interest Amount for each Interest Period may be obtained at the specified offices of the Paying Agents not later than the relevant second Business Day after the determination thereof. The Base Rates, Interest Amounts and Interest Payment Dates may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Period.

(iv) *Determination by Trustee*

If the Note Calculation Agent fails to determine the Base Rates, Spreads or Interest Amounts for an Interest Period as provided above, the Trustee or its Appointee (as defined in the Trust Deed) shall determine such rates, spreads and amounts as if it were the Note Calculation Agent and such determinations shall be deemed to be determinations by the Note Calculation Agent.

(v) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5 whether by the Note Calculation Agent or the Trustee or its Appointee shall (in the absence of wilful default, gross negligence, bad faith or manifest error) be binding on the Issuer, the Paying Agents, the Note Calculation Agent and all Noteholders and no liability to the Issuer, the Noteholders or any other person shall attach to (in the absence as aforesaid) the Note Calculation Agent or (in the absence of wilful default) the Trustee (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(b) *Accrual of interest*

Each Note will cease to bear interest from and including the date on which such Note is subject to a full redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, interest will accrue or, as the case may be, continue to accrue as provided in the Trust Deed.

6. PAYMENTS

(a) *Method of payment*

Subject as provided in this Condition 6, payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee, such account to be with a bank located in a city in which banks have access to TARGET.

Payments will be subject in all cases to any fiscal or other laws, regulations and directives applicable thereto in the place of payment.

(b) *Payment in respect of the Notes*

Payments of principal in respect of Notes in definitive form or a Global Note will be made at the specified office of any of the Paying Agents against surrender (or, in the case of partial payment, endorsement) of the Notes in definitive form or the Global Notes, as the case may be. Payments of interest in respect of Notes in definitive form or a Global Note due on an Interest Payment Date will be made at the specified office of any of the Paying Agents, subject as provided in sub-paragraph (c) below, against surrender (or, in the case of partial payment, endorsement) of the relevant Coupons or, as applicable, against endorsement of the relevant Global Note.

The Paying Agent to which a Global Note has been presented for payment shall endorse on such Global Note a record of each payment made, distinguishing between any payment of principal and any payment of interest. Such record shall be *prima facie* evidence that the payment in question has been made.

Each Note in definitive form should be presented for payment together with, if applicable, all unmatured related Coupons. All unmatured Coupons appertaining to a Note in definitive form (whether or not attached to the relative Note in definitive form) shall become void upon the date on which such Note in definitive form becomes due and repayable and no payment or exchange shall be made in respect thereof.

As long as Notes are represented by a Global Note, each of the persons shown in the records of Euroclear or Clearstream, Luxembourg, as the case may be, as the holder of a Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to the bearer of the relevant Global Note, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, 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 relevant Global Note is outstanding. The Issuer will be discharged by payment to the bearer of the relevant Global Note in respect of each amount so paid.

Notwithstanding the foregoing, payments on a Temporary Global Note due prior to the Exchange Date (as defined below) will only be made upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. No payments due after the Exchange Date will be made on the Temporary Global Notes.

In these Terms and Conditions, "**Exchange Date**" means the 40th day after the completion of the distribution of the Notes.

The Issuer reserves the right at any time to vary or to terminate the appointment of any of the Paying Agents and to appoint additional or other Paying Agents, provided that it will at all times maintain (i) a Paying Agent (which may be the Principal Paying Agent) having a specified office in a major European city which, so long as the Notes are listed on the Luxembourg Stock Exchange, shall be Luxembourg, (ii) if any European Union Directive on the taxation of savings implementing the conclusions of the European Council of Economics and Finance Ministers ("**ECOFIN**") meeting of 26-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive is introduced, a Paying Agent approved by the Trustee in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to any such Directive or law, (iii) a Note Calculation Agent and (iv) a Principal Paying Agent.

Notice of any such change or any change of any specified office (other than by the Note Calculation Agent) will promptly be given by or on behalf of the Issuer to the Noteholders in accordance with Condition 13 and to the Rating Agencies.

(c) *Payment Day*

If the due date for payment of any amount of principal or interest in respect of any Note is not a Payment Day (as defined below), the holder of such Note shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to any further interest or other payment in respect of any such delay.

In these Terms and Conditions, "**Payment Day**" means any day which (subject to Condition 8 (*Prescription*)) is:

- (i) a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each of the relevant place of presentation, London, New York and Dublin; and
- (ii) a TARGET Settlement Day.

(d) *Interpretation of principal*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which the Swap Counterparty may elect to pay to the Issuer with respect to principal under Condition 7(e) (*Redemption - Redemption for taxation reasons*);
- (ii) the Aggregate Outstanding Principal Amount of the Notes; and
- (iii) any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

7. REDEMPTION

(a) *Redemption at maturity*

Unless previously redeemed and cancelled as provided in this Condition 7 and subject to Condition 7(f) (*Redemption - Postponement of redemption date*), the Issuer shall redeem each Note at its respective Outstanding Note Principal Amount (as defined below) on 15th

February, 2040, subject to adjustment in accordance with the Modified Following Business Day Convention (the "**Scheduled Maturity Date**").

For the purposes of these Terms and Conditions:

"**Aggregate Loss**" on any day means an amount equal to the aggregate of the Loss Amounts as determined by the Note Calculation Agent (upon receipt of each Notice of Loss Amount Calculation (as defined in the Swap Agreement) from the Issuer) on such day and notified to the Issuer in the Loss Allocation Notice (as defined below).

"**Aggregate Outstanding Principal Amount**" in respect of any Class of Notes, on any day, means (i) an amount equal to the Initial Principal Amount (as defined below) in respect of such Class of Notes reduced (x) by an amount equal to the aggregate of the redemption amounts paid in respect of such Class of Notes prior to such day, and/or (y) in accordance with the Loss Allotment Order (as defined below), by the Net Aggregate Loss (as defined below) on such date and notified to the Issuer in the Loss Allocation Notice or (ii) if greater, zero.

"**Initial Principal Amount**" means:

- (i) in respect of the Class A Notes, EUR 54,500,000;
- (ii) in respect of the Class B Notes, EUR 17,000,000; and
- (iii) in respect of the Class C Notes, EUR 29,000,000.

"**Loss Allocation Notice**" means following receipt of each Notice of Loss Amount Calculation, the notice from the Note Calculation Agent to the Issuer specifying the Aggregate Loss, Net Aggregate Loss and the Aggregate Outstanding Principal Amount of the Notes.

"**Loss Allotment Order**" means that the Net Aggregate Loss shall be applied by the Note Calculation Agent (upon receipt of each Notice of Loss Amount Calculation from the Issuer) to reduce the Aggregate Outstanding Principal Amount of each Class of Notes (and such reduction will be effective from the Loss Effective Date (as defined in the Swap Agreement)) in the following order:

- (i) first, if the Aggregate Outstanding Principal Amount of the Class C Notes is not zero such Net Aggregate Loss shall be applied to reduce the Aggregate Outstanding Principal Amount of the Class C Notes until the Aggregate Outstanding Principal Amount of the Class C Notes is reduced to zero;
- (ii) secondly, if the Aggregate Outstanding Principal Amount of the Class B Notes is not zero, the balance, if any, of the Net Aggregate Loss not applied under sub-paragraph (i) above shall be applied to reduce the Aggregate Outstanding Principal Amount of the Class B Notes until the Aggregate Outstanding Principal Amount of the Class B Notes is reduced to zero; and
- (iii) thirdly, if the Aggregate Outstanding Principal Amount of the Class A Notes is not zero, the balance, if any, of the Net Aggregate Loss not applied under sub-paragraphs (i) and (ii) above shall be applied to reduce the Aggregate Outstanding Principal Amount of the Class A Notes until the Aggregate Outstanding Principal Amount of the Class A Notes is reduced to zero.

"**Loss Threshold**" means EUR 27,000,000.

"**Net Aggregate Loss**" means the greater of (a) zero and (b) the positive difference between (x) the Aggregate Loss and (y) the Loss Threshold, as determined by the Note Calculation Agent and notified to the Issuer in the Loss Allocation Notice.

"**Outstanding Note Principal Amount**" means, in respect of each Note of a Class, (i) the product of the Specified Denomination of such Note and the Aggregate Outstanding Principal Amount of the relevant Class, divided by (ii) the Initial Principal Amount of the relevant Class.

(b) *Redemption upon termination of the Credit Default Swap*

If an Early Termination Date occurs or exists under the Swap Agreement for any reason, (such occurrence or existence, a "**Credit Default Swap Redemption Event**"), then the Issuer shall forthwith notify the Trustee, the Account Bank, the Portfolio Manager, the Principal Paying Agent, the Deposit Account Bank, the Custodian, the Noteholders (in accordance with Condition 13 (*Notices*)) and (for so long as the Notes are listed on the Luxembourg Stock Exchange) the Luxembourg Stock Exchange that the Notes are to be redeemed pursuant to this Condition 7(b), provided that, if such Early Termination Date occurs solely as a result of the redemption of the Notes pursuant to Condition 7(e) (*Redemption - Redemption for taxation reasons*) or Condition 9 (*Events of Default*) then the provisions of that Condition shall prevail over the provisions of this Condition 7(b).

In addition, promptly after receipt by the Issuer of the relevant notification of the termination payments from the Swap Counterparty, the Issuer shall notify the Trustee, the Account Bank, the Portfolio Manager, the Principal Paying Agent, the Deposit Account Bank, the Custodian, the Noteholders (in accordance with Condition 13 (*Notices*)) and (for so long as the Notes are listed on the Luxembourg Stock Exchange) the Luxembourg Stock Exchange of the termination payments (if any) payable by the Swap Counterparty to the Issuer or vice versa. The Issuer shall designate in such notice the date on which the Notes will be redeemed pursuant to this Condition 7(b), which shall be the immediately following Interest Payment Date.

On the date designated as the redemption date in the notice to the Noteholders as referred to in the immediately preceding paragraph, the Issuer shall redeem each Note at its Outstanding Note Principal Amount in accordance with the priority of payments set out in Condition 3(c)(i) (*Security - Application of proceeds - Mortgaged Property*) (if the Notes are redeemed pursuant to Conditions 9 (*Events of Default*) and 10 (*Enforcement of Security*)) or Condition 2(b)(ii) (*Status of the Notes and Order of Priorities - Order of Priorities prior to enforcement - Principal*) (in each other case). For the avoidance of doubt, in the event that one or more Interest Payment Dates occur between the Early Termination Date and the date on which the Notes are subject to a full redemption, interest shall be paid at the Base Rate on such Interest Payment Dates.

Upon any redemption pursuant to this Condition 7(b), the security over the Mortgaged Property constituted by the Trust Deed will be released subject to the provisions specified in the Trust Deed.

(c) *Optional Maturity Date under the Credit Default Swap*

If the Swap Counterparty, in accordance with the terms of optional early termination of the Swap Agreement, designates the Interest Payment Date falling in May 2010 as an Optional Maturity Date under the Swap Agreement (the designation of such Optional Maturity Date shall be an "**Optional Redemption Event**"), the Issuer shall, subject to Condition 7(f) (*Redemption - Postponement of redemption date*), by giving not less than 5 nor more than 10 days' notice to the Noteholders in accordance with Condition 13 (*Notices*) (with copies of such notice to the Principal Paying Agent, the Trustee, the Note Calculation Agent, the Account Bank, the Portfolio Administrator, the Portfolio Manager, the Deposit Account Bank, the Custodian, the Rating Agencies and (for so long as the Notes are listed on the Luxembourg Stock Exchange) the Luxembourg Stock Exchange and which notice shall be irrevocable and shall specify the date fixed for redemption), redeem, on the Interest Payment Date falling on such Optional Maturity Date, each Note at an amount equal to its then Outstanding Note Principal Amount (the "**Optional Redemption Amount**") in accordance with the priority of payments set out in Condition 2(b)(ii) (*Status of the Notes and Order of Priorities - Order of Priorities prior to enforcement - Principal*).

Upon any redemption pursuant to this Condition 7(c), the security over the Mortgaged Property constituted by the Trust Deed will be released subject to the provisions specified in the Trust Deed.

(d) *Mandatory Redemption*

A "**Mandatory Redemption Event**" shall occur if the Outstanding Notional Amount (as defined in the Swap Agreement) of the Reference Portfolio is reduced and the following conditions are met:

- (i) the reduction of the Outstanding Notional Amount (the "**Reduction**") occurs as a consequence of (x) the Removal (as defined in the Swap Agreement) by the Portfolio Manager (or the Swap Counterparty in the circumstances described in the Swap Agreement and the Portfolio Management Agreement), (y) amortisation or repayment (whether in whole or in part), as described in the Swap Agreement, of one or more Reference Obligations (as defined in the Swap Agreement) from the Reference Portfolio for any reason other than the occurrence of a Credit Event in relation to that/those Reference Obligation(s) or (z) any Recovery Balance (as defined in the Swap Agreement) allocated by way of subtraction from the relevant Tranche Amount, as described in the Swap Agreement; and
- (ii) the Adjusted Outstanding Notional Amount (as defined in the Swap Agreement) of the Reference Portfolio after the Reduction is lower than the Amortisation Threshold (as defined in the Swap Agreement),

and the date of the occurrence of the Mandatory Redemption Event shall be the "**Mandatory Redemption Event Date**".

The Portfolio Manager (or the Swap Counterparty, as the case may be) shall inform the Issuer, the Swap Counterparty (if the notifying party is the Portfolio Manager), the Trustee, the Portfolio Administrator and the Note Calculation Agent of the occurrence of a Mandatory Redemption Event no later than three Business Days prior to the first Interest Payment Date occurring no less than three Business Days after the Mandatory Redemption Event Date. The Note Calculation Agent shall, as soon as reasonably practicable on or after the Reduction, and in reliance on information received from the Portfolio Manager, calculate the "**Notes**

Amortisation Amount" in accordance with the formula specified below and shall notify the Issuer, the Swap Counterparty, the Trustee, the Account Bank, the Portfolio Administrator, the Deposit Account Bank and the Principal Paying Agent. The Issuer shall give notice of the Notes Amortisation Amount to the Noteholders in accordance with Condition 13 (*Notices*), the Portfolio Manager, the Deposit Account Bank, the Rating Agencies and (for so long as the Notes are listed on the Luxembourg Stock Exchange) the Luxembourg Stock Exchange.

The Notes Amortisation Amount shall be calculated thus:

$$\text{NAA} = \text{MAX} (0, \text{R} - \text{MAX} (0, \text{AONA} - \text{AT}))$$

Where:

AONA = the Adjusted Outstanding Notional Amount of the Reference Portfolio immediately prior to the Removal, amortisation or repayment of the Reference Obligation(s) or the allocation of any Recovery Balance;

AT = Amortisation Threshold;

MAX = the greater of;

NAA = Notes Amortisation Amount; and

R = the amount of the Reduction.

The Issuer shall, on the first Interest Payment Date occurring no less than three Business Days after the Mandatory Redemption Event Date (such date of redemption, the "**Mandatory Redemption Date**"), redeem each Class of Notes in order of seniority on a *pro rata* basis in an amount equal to the Notes Amortisation Amount. Seniority between the Classes of Notes shall be determined in accordance with order of priority set out in Condition 3(c)(i) (*Security - Application of proceeds - Mortgaged Property*). An amount equal to the lesser of (a) the balance of the Deposit Account and (b) the Notes Amortisation Amount shall be released from the security by the Trustee (such amount, the "**Mandatory Redemption Amount**") and used to redeem the Notes. In the event that the Mandatory Redemption Amount is greater than the Aggregate Outstanding Principal Amount of the then most senior Class, any residual amount remaining after redemption of the most senior Class shall be used to redeem the Notes of the next most senior Class (determined in accordance with the above) and so on.

Upon any redemption in full of the Notes pursuant to this Condition 7(d), the security over the Mortgaged Property constituted by the Trust Deed will be released subject to the provisions specified in the Trust Deed.

(e) *Redemption for taxation reasons*

- (i) If the Issuer, on the occasion of the next following Interest Payment Date, (x) would be required by law to withhold or account for tax on payments made under the Swap Agreement or would suffer tax in respect of its receipt of payments under the Swap Agreement and/or the Deposit Account Agreement (as the case may be) or (y) would receive net of tax any payment made pursuant to the Swap Agreement and/or the Deposit Account Agreement (as the case may be) or (z) would be required by law to withhold or account for tax in relation to payments made by it in respect of the Notes, so that in the case of (x), (y) and (z) it would be unable to make payment of the full amount payable on the Notes, such circumstances shall constitute a "**Taxation**

Redemption Event". On the occurrence of a Taxation Redemption Event, the Issuer shall so inform the Trustee, the Principal Paying Agent, the Note Calculation Agent, the Account Bank, the Deposit Account Bank, the Custodian, the Portfolio Manager, the Rating Agencies and the Swap Counterparty and, subject to the provisions of the Swap Agreement and/or the Deposit Account Agreement, the Issuer shall use its reasonable endeavours, following consultation with the Portfolio Manager, the Deposit Account Bank and the Swap Counterparty, and following the receipt of written approval from the Trustee, the Swap Counterparty and the Deposit Account Bank (such approval by the Swap Counterparty and the Deposit Account Bank not to be unreasonably withheld or delayed), to arrange the substitution as the principal debtor of a company in relation to the Notes, counterparty to the Swap Agreement and account holder under the Deposit Account Agreement, incorporated or resident for tax purposes in another jurisdiction wherein such withholding or deduction would not be applicable, or such tax would not be accountable or suffered (subject to confirmation from the Rating Agencies that there would be no adverse change to the credit ratings then assigned to the Notes by the Rating Agencies).

- (ii) If up to (but excluding) the 15th Business Day prior to the next following Interest Payment Date the Issuer has not been able to arrange such substitution, the Swap Counterparty shall have the right, but not the obligation, in its sole discretion, under the Swap Agreement to pay to the Issuer such amounts as will enable it (after any such withholding, accounting or suffering) to pay (and in such event, the Issuer will be obliged to pay) to the Noteholders the amounts which they would have received in the absence of such withholding, accounting or suffering.
- (iii) If the Swap Counterparty does not elect in writing to exercise such right to pay the Issuer such additional amounts before the tenth Business Day prior to the next following Interest Payment Date, and the Noteholders of the Controlling Class of Notes have passed an Ordinary Resolution instructing the Issuer to redeem the Notes on the next following Interest Payment Date, the Issuer will give notice as soon as reasonably practicable to the Trustee, the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable) and (for so long as the Notes are listed on the Luxembourg Stock Exchange) the Luxembourg Stock Exchange that the Notes are to be redeemed pursuant to this Condition 7(e) on the next following Interest Payment Date or, if the termination payment has not been determined on such Interest Payment Date, the following Interest Payment Date. Interest shall continue to accrue at the Base Rate until (but excluding) the date on which the Notes are subject to a full redemption (as designated by the Issuer as soon as reasonably practicable after the determination of the termination payment).

"Ordinary Resolution" means (i) a resolution passed at a meeting of the Noteholders of the relevant Class(es) of Notes duly convened and held in accordance with the Trust Deed by a majority consisting of more than half of the persons voting thereat upon a show of hands or, if a poll is duly demanded, by a majority consisting of more than half of the votes cast on such poll or (ii) a resolution in writing signed by or on behalf of Noteholders of the relevant Class(es) of Notes holding in the aggregate more than 50 per cent. of the Aggregate Outstanding Principal Amount of the relevant Class(es) of Notes for the time being outstanding, which resolution in writing may be contained in one document or several documents in like form each signed by or on behalf of one or more Noteholders.

Upon the expiry of the notice, the Issuer will redeem each Note at its Outstanding Note Principal Amount on the relevant Interest Payment Date.

- (iv) Notwithstanding the foregoing, if the requirement to withhold or account for any of the taxes referred to in this Condition 7(e) arises:
- (A) owing to any connection of any Noteholder with the taxing jurisdiction to which the Issuer is subject otherwise than by reason only of the holding of any Note or receiving principal or interest in respect thereof; or
 - (B) by reason of the failure by the relevant Noteholder to comply with any applicable procedures required to establish non-residence or other similar claim for exemption from such tax; or
 - (C) where such withholding or deduction is imposed on payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN meeting of 26th - 27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (D) upon presentation of a Note or Coupon more than 30 days after the Relevant Date (as defined in Condition 8 (*Prescription*)) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 6 (*Payments*)); or
 - (E) upon presentation for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union,

then, to the extent it is able to do so, the Issuer shall deduct such taxes from the amounts payable to such Noteholder and the provisions of the preceding paragraphs (e)(i) - (iii) shall not apply. Any such deduction shall not constitute a Note Event of Default under and as defined in Condition 9 (*Events of Default*).

Upon any redemption pursuant to this Condition 7(e), the security over the Mortgaged Property constituted by the Trust Deed will be released subject to the provisions specified in the Trust Deed.

(f) *Postponement of redemption date*

If as of the third Business Day immediately preceding an Optional Maturity Date or the third Business Day immediately preceding the Scheduled Maturity Date, as the case may be:

- (i) a Credit Event has occurred with respect to the Swap Agreement and all the Conditions to Payment (as defined in the Swap Agreement) in respect thereof have been satisfied but any Floating Amount (as defined in the Swap Agreement) will remain outstanding (which for this purpose shall mean either not paid or not determined) after the relevant date of redemption (each such Floating Amount, an "**Unsettled Swap Amount**"), then:
 - (A) the total Aggregate Outstanding Principal Amount of Notes to be redeemed and the amounts available for application in redemption of the Notes on the relevant Optional Maturity Date or the Scheduled Maturity Date, as the case may be, will be reduced in inverse order of seniority by the Deferred Redemption Amount (as defined below) on such date (but, for the avoidance

of doubt, such outstanding Notes shall continue to bear interest at the Base Rate only from and including the Optional Maturity Date or the Scheduled Maturity Date, as the case may be);

- (B) the amounts available for redemption of the Notes to be redeemed on the relevant Optional Maturity Date or Scheduled Maturity Date, as the case may be, will be applied to redeem the Notes in accordance with the priority of payments set out in Condition 3(c)(i) (*Security - Application of proceeds - Mortgaged Property*) (if the Notes are redeemed pursuant to Conditions 9 (*Events of Default*) and 10 (*Enforcement of Security*)) or Condition 2(b)(ii) (*Status of the Notes and Order of Priorities - Order of priorities prior to enforcement - Principal*) (in each other case); and
 - (C) on each following Floating Rate Payer Payment Date (as defined in the Swap Agreement), this sub-paragraph (i) will apply and the Notes remaining outstanding thereafter will be redeemed together with interest accrued thereon at the Base Rate in accordance with the relevant priority of payments set forth in (B) above until the Aggregate Outstanding Principal Amount of each Class of Notes is reduced to zero; or
- (ii) a Potential Failure to Pay (as defined in the Swap Agreement) has occurred with respect to the Swap Agreement and in relation thereto a Notice Delivery Period (as defined in the Swap Agreement) will expire on a day falling on or after the Optional Maturity Date or Scheduled Maturity Date, as the case may be, then the scheduled date of redemption will be postponed (and the outstanding Notes shall continue to bear interest at the Base Rate only), and if on the expiry of the latest such Notice Delivery Period:
- (A) the Conditions to Payment with respect to the Swap Agreement remain unsatisfied, each Note will be redeemed at its respective Outstanding Note Principal Amount on the first Interest Payment Date following the expiry of such latest Notice Delivery Period (the "**Postponed Redemption Date**"); or
 - (B) the Conditions to Payment with respect to the Swap Agreement have been satisfied, then:
 - (w) subject to (y) and (z) below, the Notes will be redeemed on the Postponed Redemption Date;
 - (x) the total Aggregate Outstanding Principal Amount of Notes to be redeemed and the amounts available for application in redemption of the Notes on the Postponed Redemption Date will be reduced in inverse order of seniority by the Deferred Redemption Amount on such date (but, for the avoidance of doubt, such outstanding Notes shall continue to bear interest at the Base Rate only);
 - (y) the amounts available for redemption of the Notes to be redeemed on the Postponed Redemption Date will be applied to redeem the Notes in accordance with the priority of payments set out in Condition 3(c)(i) (*Security - Application of proceeds - Mortgaged Property*) (if the Notes are redeemed pursuant to Conditions 9 (*Events of Default*) and 10 (*Enforcement of Security*)) or Condition 2(b)(ii) (*Status of the*

Notes and Order of Priorities - Order of priorities prior to enforcement - Principal) (in each other case); and

- (z) on each following Floating Rate Payer Payment Date, this subparagraph (ii)(B) will apply and the Notes then remaining outstanding will be redeemed together with interest accrued thereon at the Base Rate in accordance with the relevant priority of payments set forth in (y) above until the Aggregate Outstanding Principal Amount of each Class of Notes is reduced to zero.

The final redemption date in respect of the Notes will not be later than 15th December, 2043 subject to adjustment in accordance with the Modified Following Business Day Convention (such date, the "**Legal Maturity Date**").

On each relevant date of redemption, the Deferred Redemption Amount will remain on deposit in the Deposit Account with the Deposit Account Bank.

The Issuer will as soon as practicable notify the Trustee, the Principal Paying Agent, the Account Bank, the Deposit Account Bank, the Custodian, the Portfolio Administrator, the Noteholders (in accordance with Condition 13 (*Notices*)) and (for so long as the Notes are listed on the Luxembourg Stock Exchange) the Luxembourg Stock Exchange upon notice from the Swap Counterparty (i) that on any date scheduled for redemption of the Notes, an Unsettled Swap Amount will exist or a Potential Failure to Pay has occurred and the relevant Notice Delivery Period will expire on a day falling on or after such date of redemption and that the scheduled date of redemption of the Notes (or the relevant part thereof) will be postponed in accordance with these Terms and Conditions and (ii) of the Postponed Redemption Date and each Floating Rate Payer Payment Date on which the Notes will be redeemed, not less than two Business Days prior to each such date. For the avoidance of doubt, interest at the Base Rate only shall accrue on the Notes which would, but for the operation of this Condition 7(f), be subject to a full redemption on the Optional Maturity Date (or the Scheduled Maturity Date, as the case may be) for the period from and including the Optional Maturity Date (or Scheduled Maturity Date as the case may be) to the relevant Interest Payment Date on which the relevant Notes are subject to a full redemption or the Postponed Redemption Date (as the case may be).

For the purposes of these Terms and Conditions:

"Deferred Redemption Amount" means, as of any date, in respect of all Reference Obligations to which an Unsettled Swap Amount applies on such date the lower of (i) the Outstanding Principal Amount and (ii) the Floating Amount (if already determined) of all such Reference Obligations to the extent that such sum would result in (or increase, as the case may be) a positive Net Aggregate Loss.

(g) *Cancellation*

All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

If the Notes become redeemable in accordance with Condition 7(a), (b), (c), (d), (e) or (f) above, upon payment in accordance with the Pre-Enforcement Priority of Payments: Interest Waterfall and the Pre-Enforcement Priority of Payments: Principal Waterfall set out in Condition 2(b)(i) and (ii) or application of the proceeds of realisation of the Mortgaged Property in accordance with the Post-Enforcement Priority of Payments set

out in Condition 3(c)(i), as the case may be, in respect of each Note, the Issuer shall have discharged its obligations in respect of such Note and shall have no other liability or obligation whatsoever in respect thereof.

8. PRESCRIPTION

The Notes and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

"**Relevant Date**" means the date on which payment of principal and interest first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13 (*Notices*).

9. EVENTS OF DEFAULT

The Trustee at its discretion may, and, if so requested in writing by the holders of at least $66\frac{2}{3}$ per cent. of the Aggregate Outstanding Principal Amount of the Controlling Class of Notes, shall (subject in any such case to being indemnified and/or secured to its satisfaction) give notice to the Issuer that each Note of each Class is, and it shall accordingly immediately become, due and repayable at its respective Outstanding Note Principal Amount, together with interest accrued to but excluding the date such Note is subject to redemption, and the security constituted by the Trust Deed shall become enforceable (as provided in the Trust Deed) if any of the following events shall occur and be continuing (each a "**Note Event of Default**"):

- (a) if default is made for a period of seven Business Days or more in the payment of any sum due in respect of any Note; or
- (b) the Issuer fails to perform or observe any of its other obligations under the Notes or the Trust Deed (the breach of which obligation the Trustee shall have certified to be in its opinion materially prejudicial to the interests of the Noteholders, and for this purpose, an Issuer Failure to Pay Event (as defined in the Deposit Account Agreement) will in all cases be deemed to be so materially prejudicial) and such failure continues for a period of 15 Business Days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) the occurrence of an Event of Default (as defined in the Swap Agreement) in respect of the Swap Counterparty under the Swap Agreement; or
- (d) the occurrence of either of a Deposit Failure to Pay Event (as defined in the Deposit Account Agreement) or a Deposit Downgrade Event (as defined in the Deposit Account Agreement) in respect of the Deposit Account Bank under the Deposit Account Agreement; or
- (e) if any order shall be made by any competent court or any resolution is passed for the winding-up or dissolution of the Issuer (including, without limitation, bankruptcy (*faillite*), insolvency, liquidation (*liquidation*), composition with creditors (*concordat préventif de faillite*), moratorium or reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), fraudulent conveyance (*actio pauliana*),

general settlement with creditors, reorganisation or similar laws affecting the rights of creditors generally), save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangements on terms approved in advance by the Trustee or by an Extraordinary Resolution of the Noteholders.

10. ENFORCEMENT AND LIMITED RECOURSE

The Trustee may, at its discretion and without notice to the Issuer (but with notice to the Rating Agencies, the Deposit Account Bank and the Swap Counterparty), take such steps and/or institute such proceedings against the Issuer as it may think fit to enforce the provisions of the Notes and the Trust Deed, but it shall not be bound to take such steps and/or institute any such proceedings unless (subject to Condition 3(b) (*Security - Realisation of Mortgaged Property*), Condition 9 (*Events of Default*) and Condition 14 (*Meetings of Noteholders; Modification, Waiver and Substitution*)):

- (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders of the Controlling Class of Notes or so requested in writing by the holders of at least $66\frac{2}{3}$ per cent. of the Aggregate Outstanding Principal Amount of the Controlling Class of Notes, or so requested in writing by the Swap Counterparty (but only where it is owed payment of one or more amounts (including, without limitation, any Floating Amount(s)) under the Swap Agreement); provided that the Trustee shall not act on the directions or request of the Noteholders of the Controlling Class of Notes to the extent that such directions or request conflict with any request of the Swap Counterparty and shall act, subject as provided below, in accordance with the instructions of the Swap Counterparty (but only where it is owed payment of one or more amounts (including, without limitation, any Floating Amount(s)) under the Swap Agreement); and provided further that the Trustee shall ignore any request of the Swap Counterparty if an Event of Default has occurred or would thereby occur under the Swap Agreement and the Swap Counterparty is or would be the Defaulting Party (as defined in the Swap Agreement); and
- (b) it shall have been indemnified and/or secured to its satisfaction.

The Trustee will not be liable for any loss incurred by reason of any delay in acting or the inability of the Trustee to act in accordance with this Condition 10.

None of the Noteholders, the Swap Counterparty or any other Secured Party shall be entitled to proceed against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable time and such failure is continuing. Except as aforesaid, only the Trustee may enforce the rights under the Trust Deed and the Notes of the Noteholders, the Swap Counterparty and the other Secured Parties.

After realising the security which has become enforceable and distributing the net proceeds in accordance with Condition 3(c)(i) (*Security - Security Interests*), the obligations of the Issuer with respect to the Trustee, the Swap Counterparty, the Portfolio Manager, the Portfolio Administrator, the Custodian, any Paying Agent, the Account Bank, the Deposit Account Bank, the Custodian, the Note Calculation Agent and any Noteholder in respect of the Notes, the Swap Agreement, the Portfolio Management Agreement, the Portfolio Administration Agreement, the Deposit Account Agreement, the Custody Agreement, the Account Agreement, or the Agency Agreement (as the case may be) shall be satisfied and none of the foregoing parties may take any further steps against the Issuer to recover any further sums in respect thereof and the right to receive any such sums shall be extinguished.

In particular, none of the Trustee, the Swap Counterparty, the Portfolio Manager, the Portfolio Administrator, the Custodian, any Paying Agent, the Account Bank, the Deposit Account Bank, the Note Calculation Agent or any Noteholder shall be entitled to petition or to take any other steps for the winding-up of the Issuer.

In these Terms and Conditions:

"Controlling Class of Notes" means the Class A Notes or, following redemption and payment in full of the Class A Notes, the Class B Notes or, following redemption and payment in full of the Class B Notes, the Class C Notes.

Pursuant to the Trust Deed, Deutsche Trustee Company Limited, a company incorporated under the laws of England, whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB has been appointed to act as trustee for the benefit of the Noteholders, the Couponholders and the Secured Parties upon and subject to the provisions thereof.

11. REPLACEMENT OF NOTES AND COUPONS

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced subject to applicable laws (including, without limitation, the Luxembourg act dated 3rd September, 1996 on the involuntary dispossession of bearer securities), regulations and stock exchanges or other relevant authority's regulations at the specified office of the Paying Agent in Luxembourg (or such other place of which notice shall have been given to Noteholders in accordance with Condition 13 (*Notices*)). Such replacement is subject to payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

Without prejudice to the provisions of Condition 6(b) (*Payments – Payment in respect of the Notes*), the Issuer is entitled (with the prior written consent of the Trustee (which may not be unreasonably withheld)) to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that, so long as any of the Notes is outstanding, the termination of the appointment of any Agent (whether by the Issuer or by the resignation of such Agent) shall not be effective unless upon the expiry of the relevant notice there is:

- (i) a Principal Paying Agent;
- (ii) a Paying Agent (which may be the Principal Paying Agent) having a specified office in a major European city and which, so long as any Notes are listed on the Luxembourg Stock Exchange, shall have a specified office in Luxembourg or such place as may be required by the rules and regulations of the Luxembourg Stock Exchange;
- (iii) if any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN meeting on 26th - 27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive is introduced, a Paying Agent approved by the Trustee in a Member State of the

European Union that will not be obliged to withhold or deduct tax pursuant to any such Directive or law; and

- (iv) a Note Calculation Agent.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement and except as otherwise provided in the Trust Deed, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. NOTICES

All notices to Noteholders regarding the Notes will be valid if published (i) (if any Notes are issued in definitive form) in one leading London daily newspaper and (ii) for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, in a daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*). It is expected that such publication will be made (a) in the case of (i) above, in the *Financial Times* or another daily newspaper in London approved by the Trustee or, if this is not possible, in one other English language daily newspaper approved by the Trustee with general circulation in Europe and (b) in the case of (ii) above, in the *Luxemburger Wort* or the *Tageblatt*. To the extent required by Luxembourg law, the relevant notices will also be published in the Luxembourg official gazette (*Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations*) and in accordance with the rules of the Luxembourg Stock Exchange.

All notices regarding Notes represented by a Global Note will be valid if published as described above or if delivered to Euroclear and Clearstream, Luxembourg for communication by them to the Noteholders and, so long as the Notes are listed on the Luxembourg Stock Exchange, in accordance with the rules of the Luxembourg Stock Exchange. Any notice delivered to Euroclear or Clearstream, Luxembourg as aforesaid shall be deemed to have been given on the day of such delivery.

The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange on which the Notes are for the time being listed.

Any notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication or, if published in two newspapers, on the date of the first such publication in both newspapers. If publication is not practicable in any such newspaper as is mentioned above, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Trustee shall determine.

The Issuer will, as soon as reasonably practicable upon receipt, deliver to the Noteholders in accordance with this Condition 13 and also to the Trustee, the Principal Paying Agent, the

Portfolio Manager and the Deposit Account Bank, copies of each Credit Event Notice and Notice of Available Information (as defined in the Swap Agreement) from the Swap Counterparty or the Portfolio Manager in respect of Credit Events under the Swap Agreement. Copies of each notice and report (including, without limitation, any Notice of Loss Amount Calculation received from the Calculation Agent under the Swap Agreement in respect of a Floating Amount and the Loss Allocation Notice received from the Note Calculation Agent) will be delivered to Noteholders in accordance with this Condition 13. Publication by the Portfolio Administrator (on behalf of the Issuer and in consultation with the Portfolio Manager) under the Portfolio Administration Agreement of each monthly report describing the Reference Portfolio will be notified to Noteholders in accordance with this Condition 13. In addition, copies of such reports can be obtained at the specified offices of the Paying Agents and will be given to the Trustee and (for so long as the Notes are listed on the Luxembourg Stock Exchange) the Luxembourg Stock Exchange will be notified in respect thereof.

14. MEETINGS OF NOTEHOLDERS; MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of each Class of Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed or any other Transaction Document. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing more than 50 per cent. of the Aggregate Outstanding Principal Amount of the Notes of the relevant Class then outstanding, or at any adjourned such meeting one or more persons present whatever the Aggregate Outstanding Principal Amount outstanding of the Notes of the relevant Class so held or represented by him or them, except that, at any meeting the business of which includes the modification or abrogation of certain of the provisions of these Terms and Conditions and certain of the provisions of the Trust Deed or any other Transaction Document, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the Aggregate Outstanding Principal Amount of the Notes of the relevant Class. The Trust Deed contains provisions for convening a single meeting of the holders of two or more Classes of Notes in certain circumstances.

Subject to the provisions of Conditions 3(b), 9 and 10 and as more particularly set out in the Fourth Schedule to the Trust Deed, a resolution (extraordinary or otherwise) which in the opinion of the Trustee affects the interests of the holders of any two or more Classes of Notes and gives or may give rise to a conflict of interest between the holders of such two or more Classes of Notes shall be deemed to have been duly passed only if passed at a separate meeting of the holders of each Class of Notes so affected. Resolutions to sanction the reserved matters set out in the proviso to paragraph 5 of the Fourth Schedule to the Trust Deed must be approved by separate resolutions of each Class of Noteholders. Subject as provided above, resolutions which the Trustee considers to be materially prejudicial to the Noteholders of any Class (other than resolutions relating to the reserved matters referred to above) must be approved by a resolution passed at a separate meeting of the Noteholders of such Class.

At the request (in writing) of the Issuer and with the prior written consent of the Swap Counterparty (where the Swap Counterparty is not the Defaulting Party) but subject to its right to be indemnified and/or secured to its satisfaction, the Trustee may agree, without the consent of the Noteholders, to any modification of, or to any waiver, determination or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any

provision of the Trust Deed, the Agency Agreement, the Deposit Account Agreement or the Swap Agreement or the other Transaction Documents which is not, in the opinion of the Trustee, materially prejudicial to the interests of any Class of Noteholders. The Trustee may also agree, without the consent of the Noteholders, to any modification to any of the same which is of a formal, minor or technical nature or to correct a manifest or proven error. The Trust Deed provides that the Trustee shall not concur in making any modification to any of the Transaction Documents which in the opinion of the Trustee affects the interests of the Swap Counterparty unless it shall have obtained the prior written consent of the Swap Counterparty to such modification, any such consent of the Swap Counterparty not to be unreasonably withheld or delayed.

At the request (in writing) of the Issuer, the Trustee shall agree, without the consent of the Noteholders or any other person, to any modification of any of these Terms and Conditions or any provision of the other Transaction Documents in order to comply with such requirements as may be prescribed by the Luxembourg Stock Exchange for the listing of the Notes from time to time.

Subject as provided in the Trust Deed, at the request (in writing) of the Issuer and upon prior notification by the Issuer to the Rating Agencies and confirmation therefrom as to there being no adverse change to the credit rating then assigned to the relevant Notes by such Rating Agencies, but subject to its right to be indemnified and/or secured to its satisfaction, the Trustee may agree, without the consent of the Noteholders, to the substitution of any other company in place of the Issuer as principal debtor under the Trust Deed and the Notes provided that such substitution is not materially prejudicial to the interests of any Class of Noteholders. No such substitution shall be effective without the consent of the Swap Counterparty and the Deposit Account Bank (such consent not to be unreasonably withheld or delayed) to the substitution of the Issuer by such other company as a party to the Swap Agreement and the Deposit Account Agreement. Any such substitution shall be notified by the Issuer, or as the case may be, the substitute issuer to the Luxembourg Stock Exchange as soon as reasonably practicable thereafter and in relation thereto, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer shall file a supplemental offering circular with the Luxembourg Stock Exchange containing details of such substitution. Such supplemental offering circular can be obtained at the specified office of each of the Paying Agents.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions, the Trustee shall have regard to the general interests of the Noteholders (or, as the case may be, the holders of the Notes of each Class affected thereby) as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Swap Counterparty, the Deposit Account Bank, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders. Subject to Conditions 3(b), 9 and 10 and as expressly provided in the Trust Deed, if, in considering the interests of the Noteholders of more than one Class, there is, in the opinion of the Trustee, a conflict between the interests of the Noteholders of one or more Classes and the Noteholders of another or other Class(es), the Trustee shall not (except where expressly provided in the Trust Deed otherwise) exercise such trust, power, authority or discretion (and shall not be liable for any losses incurred thereby); provided that the Trustee may exercise such trust, power, authority or discretion if it is

satisfied that to do so will not be materially prejudicial to the interests of the Noteholders of any Class.

Any such modification, waiver, authorisation, determination or substitution shall be binding on all Noteholders and the Swap Counterparty and any such modification or substitution shall be notified by the Issuer, or as the case may be, the substitute issuer, in accordance with Condition 13 (*Notices*) as soon as practicable thereafter unless, in the case of a modification, the Trustee agrees otherwise.

The provisions of articles 86 to 94-8 (on the representation of holders of debt securities and meetings of holders of debt securities) of the Luxembourg act dated 10th August, 1915, on commercial companies, as amended, shall not apply in respect of the Notes or the Coupons.

15. TAXATION

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction (as defined below), unless the withholding or deduction of taxes is required by law. In that event, the Issuer shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Except as mentioned in Condition 7(e) (*Redemption - Redemption for taxation reasons*), the Issuer shall not be required to make any additional payments to Noteholders in respect of such withholding or deduction applicable to any payment in respect of the Notes.

In these Terms and Conditions:

"Relevant Jurisdiction" means Luxembourg or any political sub-division or any authority thereof or therein having power to tax or any other jurisdiction or any political sub-division or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

16. INDEMNIFICATION AND REPLACEMENT OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings unless indemnified to its satisfaction. The Trustee is exempted from any liability in respect of any loss, diminution in value or theft of all or any part of the Mortgaged Property, from any obligation to insure all or any part of the Mortgaged Property (including, in either such case, any documents evidencing, constituting or representing the same or transferring any rights, benefits and/or obligations thereunder), to procure the same to be insured or to monitor the adequacy of any insurance arrangements in respect of the Mortgaged Property and from any claim arising if all or any part of the Mortgaged Property (or any such document as aforesaid) are held in an account with Euroclear or Clearstream, Luxembourg or any other clearing system or otherwise held in safe custody by a bank or other custodian whether or not selected by the Trustee.

The Trust Deed provides that the Trustee may retire at any time on giving not less than three months' prior written notice to the Issuer without giving any reason and without being responsible for any liabilities incurred by reason of such retirement. In addition, the holders of the Controlling Class of Notes may by Extraordinary Resolution remove the Trustee. The Issuer has undertaken in the Trust Deed that, in the event of the Trustee giving notice or being removed by Extraordinary Resolution, it will use its reasonable endeavours to procure that a

new trustee is appointed as soon as reasonably practicable thereafter. If the Issuer fails so to procure the appointment of such a new trustee, the Trustee may appoint a successor trustee. The retirement or removal of the Trustee shall not become effective until a successor trustee is appointed.

Any such retirement, removal or appointment of the Trustee shall be notified by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*) and the Luxembourg Stock Exchange, as soon as reasonably practicable thereafter.

17. TRUSTEE CONTRACTING WITH ISSUER AND OTHER PARTIES

The Trustee shall not be bound or concerned to make any investigation into the creditworthiness of the Swap Counterparty or any obligor in respect of the Mortgaged Property, the validity of the Swap Counterparty's obligations in respect of any relevant agreement forming part of the Mortgaged Property or of any such obligor's obligations in respect of the Mortgaged Property.

The Trust Deed contains provisions pursuant to which the Trustee or any of its subsidiary or associated companies is entitled, *inter alia*, (i) to enter into business transactions with the Issuer, the Swap Counterparty, any other party to the Transaction Documents and/or any obligor in respect of the Mortgaged Property and/or any of their subsidiary, parent or associated companies and to act as trustee for the holders of any other securities issued by or relating to the Issuer and/or any other party to the Transaction Documents and/or the Swap Counterparty and/or any obligor in respect of the Mortgaged Property and/or any of their subsidiary or associated companies, (ii) to exercise and enforce its rights, comply with its obligations, and perform its duties, under or in relation to any such transactions or, as the case may be, any such trusteeships without regard to the interests of the Noteholders or the Swap Counterparty and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) Governing law

The Trust Deed, the Agency Agreement, the Swap Agreement, the Portfolio Management Agreement, the Portfolio Administration Agreement, the Account Agreement, the Deposit Account Agreement, the Custody Agreement, the Subscription Agreement and the Notes are governed by, and shall be construed in accordance with, English law.

(b) Submission to jurisdiction

The Issuer has in the Trust Deed agreed, for the benefit of the Trustee and the Noteholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Notes and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection therewith may be brought in such courts.

The Issuer has in the Trust Deed irrevocably waived any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in the courts of England and any claim that any such Proceedings have been brought in an inconvenient forum and has further irrevocably agreed that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition 19 shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

The Issuer has in the Trust Deed appointed Fleetside Legal Representative Services Limited of 9 Cheapside, London EC2V 6AD as its agent for service of process, and has undertaken that, in the event of such person ceasing so to act or ceasing to be domiciled in England, it will appoint another person domiciled in England acceptable to the Trustee as its agent for service of process in England in respect of any Proceedings.

Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

CERTAIN DEFINITIONS USED IN THE SWAP AGREEMENT

General Definitions

"**Addition Date**" means in relation to a Reference Obligation (or part thereof) that formed part of the Initial Reference Portfolio, the Effective Date and in relation to any Reference Obligation (or part thereof) included in the Reference Portfolio pursuant to a Ramp-Up or a Replenishment occurring on or after the Effective Date, the Ramp-Up Date or Replenishment Date, as applicable, for such Reference Obligation.

"**Affiliate**" means, in relation to any Person, any Person controlled, directly or indirectly, by such Person, any entity that controls, directly or indirectly, such Person or any entity directly or indirectly under common control with such Person. For this purpose, "control" of any Person means ownership of a majority of the voting power of such Person or right to control such Person by contract or otherwise.

"**Allowable Quotation**" means a Quotation or a Weighted Average Quotation, where applicable, that is in excess of the Minimum Quotation Value applicable to the Reference Obligation.

"**Asset Rating Agency**" means each of Moody's, S&P and Fitch or such other internationally recognised statistical rating agency as may be agreed between the Swap Counterparty and the Portfolio Manager.

"**Asset Specific Criteria**" means each of the Asset Specific Criteria set out in "*Description of the Reference Portfolio*".

"**Associated Entity**" means, with respect to any Reference Obligation, the issuer thereof or any Person who succeeds to the obligations of the issuer.

"**Available Information**" means information that reasonably confirms any of the facts relevant to the determination that a Credit Event described in a Credit Event Notice has occurred which (a) has been published in or on not less than two internationally recognised published or electronically displayed news sources (it being understood that each Public Source shall be deemed to be an internationally recognised published or electronically displayed news source), regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if any of the parties or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Available Information unless such party or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Reference Obligation; (b) is information received from an Associated Entity or a guarantor or insurer of a Reference Obligation or a trustee, fiscal agent, administrative agent, clearing agent, servicer, paying agent or similar person for the Reference Obligation; or (c) is information contained in any order, decree or notice, however described, of a court, tribunal, regulatory authority or similar administrative or judicial body. In relation to any information of the type described in (b) and (c) above, the party receiving such information may assume that such information has been disclosed to it without violation of any law, agreement or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the issuer of the Reference Obligation or any Affiliate of such issuer that would be breached by, or would prevent, the disclosure of such information to third parties. Available Information need not state that such occurrence: (i) has met any specified threshold or limit in relation to non-payment or other default; (ii) is the result of exceeding any applicable grace period or (iii) has met the subjective criteria (if any) in certain Credit Events.

"**CDO**" means any Asset Backed Security issued by an entity formed for the purpose of investing and reinvesting in a pool of commercial and/or industrial bank loans, obligations and/or debt securities or other Asset Backed Securities, subject to specified investment and management criteria.

"**CMBS**" means any Asset Backed Security that is or relates to Underlying Assets which consist of global CMBSs' franchise loans, multi-family leases, Single Property CMBS's and credit tenant leases (whether performing or non-performing). For the avoidance of doubt, (i) an Asset Backed Security issued in connection the securitisation of (a) pub estates and/or pub leases or (b) the whole or part of an operating business shall not constitute a CMBS and (ii) a Repackaged Security shall only constitute a CMBS if the relevant Underlying Asset Backed Security is a CMBS.

"**CMBS Corporate Tenant**" means any corporate tenant to which a holder of a Reference Obligation that is a CMBS or backed in whole or in part by a CMBS is directly or indirectly exposed by virtue of the lease or rental payments backing, directly or indirectly, such Reference Obligation.

"**CMBS Corporate Tenant Portion**" means, in respect of a CMBS Corporate Tenant and a CMBS secured in whole or in part by payments from such CMBS Corporate Tenant, the result, expressed as a percentage, of dividing (a) the sum of all the lease or rental payments due from such CMBS Corporate Tenant backing such CMBS by (b) the sum of all of the lease or rental payments due that are backing such CMBS, in each case related to the current payment period of the CMBS asset; provided that if the CMBS Corporate Tenant Portion would otherwise be less than 2.5 per cent., it shall be deemed to be zero.

"**Corporate Obligor**" means a corporate obligor to which a holder of a Reference Obligation is (directly or indirectly) economically exposed by virtue of a Relevant Corporate Obligation. For the avoidance of doubt, an Associated Entity shall not constitute a Corporate Obligor for the purposes of this Confirmation.

"**Corporate Tenant Look-Through Amount**" means in respect of a CMBS Corporate Tenant, the sum of each Look-Through CMBS Amount in respect of each Relevant CMBS Obligation.

"**Credit Event Notice**" means an irrevocable written notice from the Notifying Party to the other party, the Portfolio Manager and the Calculation Agent, that describes a Credit Event that occurred on or after the Effective Date and on or prior to the later of:

- (i) the third Business Day immediately preceding the Fixed Rate Payer Termination Date; and
- (ii) the Grace Period Extension Date if:
 - (a) the Credit Event that is the subject of the Credit Event Notice is a Failure to Pay that occurred after the Fixed Rate Payer Termination Date; and
 - (b) the Potential Failure to Pay with respect to such Failure to Pay occurs prior to the Fixed Rate Payer Termination Date.

A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective. Each Credit Event Notice shall set out the date on which the Credit Event occurs and details of the Reference Obligation in respect of which it occurred. A Credit Event Notice shall be subject to the requirements regarding notices set forth in paragraph 9 of the Swap Confirmation.

"Credit Impaired Reference Obligation" means (a) prior to the occurrence of a Trigger Event, (i) a Reference Obligation that has been downgraded by one or more subcategories by an Asset Rating Agency since the date of its inclusion in the Reference Portfolio or (ii) a Reference Obligation that is on watch for possible downgrade by an Asset Rating Agency, (iii) a Reference Obligation in respect of which the Discount Margin is more than 120 per cent of the Discount Margin on the date of its inclusion in the Reference Portfolio, or (iv) a Reference Obligation in respect of which, in the reasonable opinion of the Portfolio Manager there is a significant risk that any of (i) or (ii) above may occur in respect of such Reference Obligation and (b) upon or following the occurrence of a Trigger Event (i) a Reference Obligation that has been downgraded by one or more subcategories by an Asset Rating Agency since the date of its inclusion in the Reference Portfolio or (ii) a Reference Obligation that has the same Moody's Rating(s) and Fitch Rating(s) as on the date on which it was included in the Reference Portfolio that is on watch for possible downgrade by an Asset Rating Agency.

"Credit Improved Reference Obligation" means (a) prior to the occurrence of a Trigger Event (i) a Reference Obligation that has been upgraded by one or more subcategories since the date of its inclusion in the Reference Portfolio, (ii) a Reference Obligation that is on watch for possible upgrade by an Asset Rating Agency, (iii) a Reference Obligation in respect of which the Discount Margin is less than 90 per cent. of the Discount Margin on the date of its inclusion in the Reference Portfolio or (iv) a Reference Obligation in respect of which, in the reasonable opinion of the Portfolio Manager, there is a substantial likelihood, that the Associated Entity will exercise its right to call or repurchase such Reference Obligation at a price that is lower than the implied market price of such Reference Obligation on the date that it was included in the Reference Portfolio taking into account its Discount Margin and the prevailing swap rate for the Remaining Weighted Average Life of the Reference Obligation in each case as of the date of which such Reference Obligation was included in the Reference Portfolio, and (b) upon and following the occurrence of a Trigger Event, (i) a Reference Obligation that has been upgraded by one or more subcategories by an Asset Rating Agency since the date of its inclusion in the Reference Portfolio or (ii) a Reference Obligation that is on watch for a possible upgrade by an Asset Rating Agency.

"Dealer" means a dealer (other than one of the parties to the Swap Confirmation or the Portfolio Manager or any Affiliate of one of the parties to the Swap Confirmation or the Portfolio Manager) in obligations of the type of Reference Obligation for which Quotations are to be obtained, including but not limited to: any of the Affiliates or branches in London of any of Lehman Brothers Inc., Bear Stearns Companies Inc., Merrill Lynch & Co., Deutsche Bank AG, Morgan Stanley Dean Witter, the Royal Bank of Scotland, Barclays, Credit Suisse First Boston, ABN Amro and J.P. Morgan Chase. When selecting Dealers that are not expressly set out above, the Calculation Agent shall act in good faith and in a commercially reasonable manner.

"Definition Loss Amount" means at any time the sum of:

- (i) the Total Loss Amount at such time;
- (ii) the sum of the Outstanding Principal Amounts for all Reference Obligations in respect of which an Event Determination Date has occurred, but in respect of which no Loss Amount has been determined at such time, multiplied by an amount equal to 1 minus the lower of the Moody's Applicable Recovery Rate and the Fitch Applicable Recovery Rate; and
- (iii) the sum of the Outstanding Principal Amounts for all Reference Obligations that have a Public Rating or a shadow rating by Moody's of less than "B3" and/or have a Public Rating or a shadow rating of less than "B-" by Fitch at such time multiplied by 40 per cent.

"Discount Margin" means at any time with respect to a Reference Obligation a number expressed in basis points per annum, provided by the Portfolio Manager and equal to, the excess of the projected

yield of the Reference Obligation over the relevant swap fixing index for the currency of denomination of the Reference Obligation. The Portfolio Manager may obtain the Discount Margin from one of the following sources, (i) a quotation provided by a dealer in the Reference Obligation or (ii) from an independent news source that is calculating such Discount Margin or (iii) by modelling the expected cash flows of the Reference Obligation in a commercially reasonable manner and in good faith.

"Effective Date" means 11th June, 2003.

"Event Determination Date" means the first date on which both the Credit Event Notice and the Notice of Available Information are effective in respect of the relevant Reference Obligation.

"Excluded Blindpool CDO" means a CDO, the Issuer of which invests in a pool of less than 200 commercial and/or industrial bank loans, obligations and/or debt securities, the identity of which are not disclosed to the holders of such Asset Backed Security by the issuer of such Asset Backed Security.

"Excluded Obligation" means an Asset Backed Security that is an Aircraft Lease Security or an Excluded Blindpool CDO.

"Expected Maturity" means, in respect of a Reference Obligation, the designated expected maturity date of that Reference Obligation as at the Addition Date in respect of such Reference Obligation, as reasonably determined by the Portfolio Manager on the basis of Public Information and information received from the placement agent and initial purchaser of such Reference Obligation.

"Factor" means, with respect to a Reference Obligation, on any Business Day, the "factor" with respect to such Reference Obligation (i) which appears on the applicable display page on the Bloomberg service (or such other services as the Calculation Agent may designate), or which is displayed or made available by any relevant clearing system (including Euroclear, Clearstream or DTC) or other independent third party source, on such Business Day; or (ii) which is set forth in the latest periodic report prepared by the trustee or servicer for such Reference Obligation and received by the Calculation Agent, and (in either case) (iii) if an inconsistency between (i) and (ii) occurs, the "factor" will be determined according to (ii); or (iv) if neither (i) nor (ii) applies, the "factor" reasonably determined by the Calculation Agent.

"Fees and Expenses" means, in respect of a Payment Date, an amount equal to the sum of (i) EUR 250,000, (ii) the Projected Senior Management Fee and (iii) any additional amounts that the Swap Counterparty may determine in its sole and absolute discretion (each an **"Additional Payment"**). For the avoidance of doubt, the Swap Counterparty shall not be obliged to make any such Additional Payments, and payments of such Additional Payments on any Payment Date shall not bind the Swap Counterparty to make such Additional Payments on any future Payment Date.

"Final Maturity" means, with respect to a Reference Obligation, the final date upon which any Outstanding Principal Amount of such Reference Obligation becomes due and payable.

"Fixed Rate Payer Termination Date" means the earliest of (a) the Scheduled Maturity Date, (b) the Optional Maturity Date and (c) the first Fixed Rate Payer Payment Date as of which the aggregate of the Tranche A Amount, the Tranche B Amount and the Tranche C Amount is reduced to zero.

"Floating Rate Payer Payment Date" means a Payment Date occurring no less than four Business Days following the date on which the relevant Notice of Loss Amount Calculation is effective.

"Grace Period" means the applicable grace period with respect to payments under the relevant Reference Obligation under the terms of such Reference Obligation in effect as of the later of the Effective Date and the date as of which such Reference Obligation is issued or incurred provided that if, at the later of the Effective Date and the date as of which such Reference Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Business Days is applicable under the terms of such Reference Obligation, a grace period of three Business Days shall be deemed to apply to such Reference Obligation).

"Grace Period Extension Date" means, if a Potential Failure to Pay occurs in respect of any Reference Obligation prior to the Fixed Rate Payer Termination Date, the date that is the number of days in the Grace Period after the date of such Potential Failure to Pay, provided that the Grace Period Extension Date, if any, shall occur not more than 60 Business Days following the Fixed Rate Payer Termination Date.

"Initial Pool Report" means the report containing details of the Reference Obligations comprising the Reference Portfolio on the Effective Date.

"Initial Reference Portfolio" means the Reference Portfolio as at the Effective Date.

"Interim Obligation" means a Reference Obligation that is either an RMBS or a Credit Card Security and has a Public Rating of at least "AAA" by Fitch and "Aaa" by Moody's.

"Issue" means Asset Backed Securities issued by the same Associated Entity and/or secured by the same pool of cashflows.

"Legal Maturity" means, in relation to any Reference Obligation the date on which, in accordance with the terms of such Reference Obligation, the final payment of principal of such Reference Obligation is expressed or scheduled to be, or has become, due and payable (without giving effect to any acceleration or mandatory prepayment and without giving effect to any provisions of the Reference Agreements which provide that any payment obligation under such Reference Obligation is expressed to be dependent or conditional upon the issuer or such other analogous person under the Reference Agreements receiving sufficient funds or assets to make such payment in respect of such Reference Obligation).

"Look-Through Amount" means, in respect of each Corporate Obligor, the sum, for each corporate debt obligation issued or backed by such Corporate Obligor, to which a holder of a Reference Obligation is (directly or indirectly) economically exposed (each a **"Relevant Corporate Obligation"**), of an amount equal to the sum of the Look-Through Amount Portions for such Relevant Corporate Obligation.

"Look-Through Amount Portion" means in respect of each Relevant Corporate Obligation, for each Reference Obligation through which an exposure to such Relevant Corporate Obligation is created, the product of (a) the Outstanding Principal Amount of each Reference Obligation through which exposure to such Relevant Corporate Obligation is created and (b) a fraction, the numerator of which is the principal balance of the Underlying Asset that is or creates an exposure to such Relevant Corporate Obligation which is contained in the reference portfolio of the Underlying Assets and the denominator of which is the aggregate principal balance of the portfolio of Underlying Assets for such Reference Obligation. For the avoidance of doubt, this calculation shall also be applicable where the Relevant Corporate Obligation is not an Underlying Asset of such Reference Obligation, but an Underlying Asset creates (directly or indirectly) an exposure to such Relevant Corporate Obligation (in whole or in part) (each such exposure a **"Look-Through Component"**), provided that the Look-Through Amount Portion for each Look-Through Component shall be an amount equal to (A) the Outstanding Principal Amount of such Reference Obligation, multiplied by (B) a fraction, the

numerator of which is the principal balance of the Underlying Asset that is or creates an exposure to such Relevant Corporate Obligation which is contained in the reference portfolio of the Underlying Assets and the denominator of which is the aggregate principal balance of the portfolio of Underlying Assets for such Reference Obligation multiplied by (C) a fraction, the numerator of which is the principal balance of the Look-Through Component which is contained in the reference portfolio to which such Underlying Asset creates an exposure and the denominator of which is the aggregate principal balance of the portfolio to which such Underlying Asset creates an exposure. The Look-Through Amount in respect of a Relevant Corporate Obligation shall be as determined by the Portfolio Manager in a commercially reasonable manner based on the most current information publicly available, provided that if no such information is publicly available (including from the relevant trustee report(s)), then the Look-Through Amount in respect of such Relevant Corporate Obligation shall be deemed to be zero.

"Look Through CMBS Amount" means, in respect of a CMBS Corporate Tenant and a Relevant CMBS Obligation, the product of:

- (a) the CMBS Corporate Tenant Portion; and
- (b) either:
 - (i) in respect of a Relevant CMBS Obligation which is a Reference Obligation, the Outstanding Principal Amount of such Reference Obligation
 - (ii) in respect of a CMBS which is one of the assets backing a Reference Obligation, the product of:
 - (A) the Outstanding Principal Amount of such Reference Obligation; and
 - (B) the result of dividing (I) the aggregate principal amount of the CMBS backing such Reference Obligation by (II) the sum of the aggregate principal amount of all the obligations backing such Reference Obligation.

"Loss Effective Date" means the date on which the relevant Notice of Loss Amount Calculation is effective.

"Maximum Aggregate Notional" means prior to the issuance of the Ramp-Up Rating Confirmation, EUR 1,000,000,000 and thereafter, the amount specified by each of Fitch and Moody's as being the amount, subject to which the Ramp-Up Rating Confirmation has been issued by both Fitch and Moody's (or if Fitch and Moody's specify different amounts, the lower of such amounts).

"Maximum Quotation Period" means (i) in respect of a Reference Obligation that is a CDO, 365 calendar days and (ii) for all other Reference Obligations 730 calendar days from the Event Determination Date.

"Measurement Date" means the Effective Date and each day on which a Reference Obligation is added to the Reference Portfolio pursuant to a Ramp-Up or Replenishment, as applicable.

"Minimum Quotation Amount" means the lower of (a) EUR1,000,000 (or in respect of a Reference Obligation that is a Non-euro Reference Obligation, its equivalent in the currency in which such Reference Obligation is denominated, as at the occurrence of the relevant Credit Event) and (b) the Quotation Amount.

"**Minimum Quotation Value**" means the higher of the Moody's Applicable Recovery Rate and the Fitch Applicable Recovery Rate applicable to the Reference Obligation.

"**Notice of Available Information**" means an irrevocable written notice from the Swap Counterparty to the Calculation Agent and the Issuer that cites Available Information confirming the occurrence or existence of the Credit Event described in the Credit Event Notice. The notice given must contain a copy, or a description in reasonable detail, of the relevant Available Information. A Notice of Available Information shall be subject to the requirements regarding notices set forth in paragraph 9 of the Swap Confirmation.

"**Optional Maturity Date**" means, following the exercise by the Swap Counterparty of its right to designate an Optional Maturity Date, the Time Call Date.

"**Original Principal Amount**" means, with respect to each Reference Obligation, the amount specified for the Reference Obligation in the Initial Pool Report, or if the Reference Obligation is included in the Reference Portfolio pursuant to a Replenishment or a Ramp-Up after the Effective Date, the amount specified for the Reference Obligation in the Report for the Addition Date on which it was included in the Reference Portfolio, which represents the original face amount of the amount of the Reference Obligation included in the Reference Portfolio, as amended pursuant to Ramp-Ups, Replenishments and Removals in accordance with paragraph 3 of the Swap Confirmation.

"**Outstanding Notional Amount**" means (i) on the Effective Date EUR 346,970,683.84, and (ii) in respect of each day thereafter the aggregate of the Outstanding Principal Amounts for each Reference Obligation forming part of the Reference Portfolio as at the close of business on such day.

"**Outstanding Principal Amount**" means at any time:

- (i) With respect to a Reference Obligation that has not been the subject of a Credit Event, an amount calculated by multiplying the Original Principal Amount of such Reference Obligation by the Factor from time to time in respect thereof.
- (ii) With respect to a Reference Obligation that has been the subject of a Credit Event, an amount equal to the Original Principal Amount less the aggregate amount of all cash distributions made to a holder of such Reference Obligation up to and including such time which are paid in respect of principal in relation to an amount of such Reference Obligation with a principal amount outstanding, at the time of issue, equal to the Original Principal Amount of such Reference Obligation.

"**Payment in Kind Security**" means any Reference Obligation that is an Asset Backed Security the terms of which permit the payment of interest thereon to be deferred and capitalised by way of addition to the principal amount of such Reference Obligation or by way of issuance of an additional security or certificate due at a later date.

"**Payment Requirement**" means EUR 100,000 or in respect of a Reference Obligation that is a Non-euro Reference Obligation, its equivalent in the currency in which such Reference Obligation is denominated as at the occurrence of the relevant Credit Event, provided that where the amount payable in respect of interest or principal on any particular date is a lesser amount, the Payment Requirement shall be such lesser amount.

"**Person**" means any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"Price Determination Date" means the date on which the Final Price is determined.

"Principal Exposure Domicile" means the country(s) that account for the location of more than 90 per cent. of the Underlying Assets in respect of a Reference Obligation.

"Projected Senior Management Fees" means, in respect of a Payment Date, the Senior Management Fees payable to the Portfolio Manager under the Portfolio Management Agreement on the Payment Date prior to such Payment Date, save for the first Payment Date in respect of which the Projected Senior Management Fee shall be EUR 250,000.

"Public Information" means any information which has been published either (i) by Bloomberg Service, Dow Jones Telerate Service, Financial Times, Wall Street Journal or New York Times (and successor publications), or (ii) by an Asset Rating Agency.

"Public Rating" means, with respect to a Reference Obligation contained in the Reference Portfolio, a publicly available credit rating assigned, from time to time, by any of S&P, Fitch or Moody's to such Reference Obligation.

"Public Source" means each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, and Financial Times (and successor publications).

"Quotation Amount" shall mean an amount equal to the Original Principal Amount of the relevant Reference Obligation.

"Reference Agreements" means, in relation to any Reference Obligation, the terms and conditions of the instrument or other document evidencing such Reference Obligation and of the indenture, trust agreement or deed, offering circular, pooling and servicing agreement or other agreement and any related agreements constituting or governing such Reference Obligation.

"Reference Portfolio Guidelines" means each of the Reference Portfolio Guidelines set out in "*Description of the Reference Portfolio*".

"Relevant CMBS Obligation" means, in respect of a CMBS Corporate Tenant, each Reference Obligation or asset backing a Reference Obligation which is a CMBS backed in whole or in part by payments from such CMBS Corporate Tenant.

"Remaining Weighted Average Life" means, in respect of a Reference Obligation and a date of determination, the period, expressed in years, reflecting the average time to projected occurrence of the principal cashflows of the Reference Obligation (weighted by the size of such cashflow) determined by (i) a dealer (agreed between the Swap Counterparty and the Portfolio Manager) who is then modelling the principal cashflows of the Reference Obligation or failing which (ii) the Calculation Agent, on the basis of a quotation from any Dealer.

"Reporting Date" means the 15th day of each month from and including 15th August, 2003 to and including the Fixed Rate Payer Termination Date.

"Suspension Event" means the Definition Loss Amount is greater than 2 per cent. of the Maximum Aggregate Notional.

"Synthetic CDO" means a Reference Obligation that is a CDO in respect of which economic exposure to more than 50 per cent. of the Underlying Assets is created synthetically.

"Total Loss Amount" means with respect to any Loss Amount, an amount equal to the aggregate of all Loss Amounts in respect of Reference Obligations for which a Credit Event Notice was delivered since the Effective Date, determined prior to and excluding that Loss Amount. If on any Floating Rate Payer Payment Date a Floating Amount is payable in respect of more than one Loss Amount, such Loss Amounts shall be deemed to have been determined sequentially for the purpose of determining the Floating Amount payable in respect of each Reference Obligation on such Floating Rate Payer Payment Date.

"Trigger Event" means the Definition Loss Amount is greater than 1 per cent. of the Maximum Aggregate Notional.

"Underlying Assets" means with respect to any Reference Obligation, the pool of assets which are expected to generate the cashflows required for the servicing and repayment (in whole or in part) of the Reference Obligation or to which the holder of such Reference Obligation is economically exposed where such exposure is created synthetically.

"Valuation Date" means 30 Business Days following the relevant Event Determination Date.

"Valuation Time" means 11 a.m. in the Calculation Agent City.

"Whole Business Securitisation Security" means an Asset Backed Security issued pursuant to a form of securitisation which attaches to the general operating cash flow arising from a particular line or area of business of the originator and is secured by the business generating assets of the originator.

Reference Portfolio Testing Definitions and Interpretation

For the purposes of the definitions of Fitch Applicable Recovery Rate, Maximum Quotation Period and Moody's Applicable Recovery Rate (and for the avoidance of doubt, also for the purposes of the definitions of Synthetic CDO and Underlying Assets), references therein to an Asset Backed Security and/or a Reference Obligation shall, where such Asset Backed Security or Reference Obligation is a Repackaged Security, be deemed to be a reference to the relevant Underlying Asset Backed Security, and all other relevant definitions shall be construed accordingly.

"Aircraft Lease Securities" means Asset Backed Securities that entitle the holders thereof to receive payments that depend predominantly (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from leases and subleases of aircraft.

"Category" means all Asset Backed Securities forming part of the same Issue that are or rank pari passu with the Reference Obligation.

"Fitch Applicable Recovery Rate" means, in respect of each Reference Obligation, the applicable percentage determined pursuant to the table below:

	Where the rating assigned by Fitch as at the Measurement Date or Valuation Date, as applicable, to the Notes in respect of the most senior Tranche that, at the Measurement Date, has a Tranche Amount that is greater than zero is equal or worse than Fitch Rating of the Reference Obligation at issuance of such Reference Obligation	Where the rating assigned by Fitch as at the Measurement Date or Valuation Date, as applicable, to the Notes in respect of the most senior Tranche that, at the Measurement Date, has a Tranche Amount that is greater than zero is one rating category higher than the Fitch Rating of the Reference Obligation at issuance of such Reference Obligation	Where the rating assigned by Fitch as at the Measurement Date or Valuation Date, as applicable, to the Notes in respect of the most senior Tranche that, at the Measurement Date, has a Tranche Amount that is greater than zero is two or more rating categories higher than the Fitch Rating of the Reference Obligation at issuance of such Reference Obligation
Senior Investment-Grade (as determined by Fitch) Reference Obligation	60 per cent.		
Subordinate Investment-Grade (as determined by Fitch) Reference Obligation	40 per cent.	30 per cent.	20 per cent.

"Fitch Assigned Sector Score" means, for each Fitch Sector, the lesser of the Fitch Raw Sector Score or the Sector Score Cap of the applicable Fitch Sector as set out in the table below:

Fitch Sector	Fitch Assigned Subsector (which, in respect of a Reference Obligation, have the meanings given to such terms by Fitch as at the date on which such Reference Obligation was included in the Reference Portfolio)	Sector Score Cap
CMBS	CMBS Large Loan CMBS Conduit CMBS Credit Tenant Leases	2

RMBS	RMBS Home Equity/High LTV RMBS First Lien Mortgages RMBS Manufactured Housing	2
REIT	REIT Health Care REIT Retail REIT Hotels REIT Apartments REIT Industrials/Office REIT Diversified	2
Consumer ABS	Consumer ABS - Credit Cards Consumer ABS - Auto Prime Consumer ABS - Auto Subprime Consumer ABS - Consumer Loans Consumer ABS - Student Loans Consumer ABS - Charged Off Cards Consumer ABS - Motorcycles Consumer ABS - Timeshare Consumer ABS - RV/Boats Consumer ABS - Other	6
CDO	CDO - Balance Sheet CDO - HY Arbitrage CDO - IG Arbitrage CDO - Market Value CDO - CDO of ABS/MBS	5
Commercial ABS	Commercial ABS - Equipment Leases Commercial ABS - Franchise Loans Commercial ABS - Aircraft Loans / Leases Commercial ABS - Dealer Floorplan Commercial ABS - Utility Stranded Costs Commercial ABS - Weather Bonds Commercial ABS - Small Business Loans Commercial ABS - Taxi Medallion Commercial ABS - Rail Car Commercial ABS - Inventory Financing Commercial ABS - Intellectual Property Commercial ABS - Stadium Financing Commercial ABS - Agricultural Loans Commercial ABS - Health Care Receivables Commercial ABS - Rental Fleet Commercial ABS - Structured Settlements Commercial ABS - Mutual Fund Fees Commercial ABS - Other	6
European Consumer ABS	European Consumer ABS - Credit Cards/Consumer Loans European Consumer ABS - Auto Loans European Consumer ABS - Student Loans European Consumer ABS - Non-Performing Loans European Consumer ABS - Other	2

European Commercial ABS	European Commercial ABS - Equipment Leases European Commercial ABS - Term Trade Receivables European Commercial ABS - Other	2
European RMBS	European RMBS - UK & Ireland European RMBS - Germany European RMBS - Italy European RMBS - Netherlands European RMBS - Other	5
European CMBS	European CMBS - UK European CMBS - Ireland European CMBS - Germany European CMBS - Italy European CMBS - Netherlands European CMBS - Other	3
Corporate	Corporate - Aerospace & Defense Corporate - Automobiles Corporate - Banking, Finance, and RE Corporate - Broadcasting & Media Corporate - Building and Materials Corporate - Cable Corporate - Chemicals Corporate - Computers and Electronics Corporate - Consumer Products Corporate - Energy Corporate - Environmental Services Corporate - Farming & Agriculture Corporate - Food, Beverage, & Tobacco Corporate - Gaming, Lodging & Restaurants Corporate - Health Care and Pharmaceuticals Corporate - Industrial/Manufacturing Corporate - Insurance Corporate - Leisure & Entertainment Corporate - Metals & Mining Corporate - Miscellaneous Corporate - Paper & Forest Products Corporate - Retail Corporate - Sovereign Corporate - Supermarkets & Drug Stores Corporate - Telecommunications Corporate - Textiles & Furniture Corporate - Transportation Corporate - Utilities Corporate - Corporate EM	6
US Government Securities	US Government Securities - Trsy, FNMA, Freddie GNMA	2

"Fitch Assigned Subsector" means the subsector reasonably assigned to the Reference Obligation by the Portfolio Manager, from the list of Fitch subsectors appearing in the table set out above in the definition of **"Fitch Assigned Sector Score"**.

"Fitch Assigned Subsector Score" means, for each Fitch Assigned Subsector, (A) 10 per cent. divided by (B) the Fitch Subsector Allocation for that Fitch Assigned Subsector, unless the Fitch Subsector Allocation is less than 6.7 per cent., in which case the Fitch Assigned Subsector Score shall be (A) (i) 10 per cent. divided by (ii) 6.7 per cent., divided by (B) (x) 6.7 per cent. divided by (y) the Fitch Subsector Allocation.

"Fitch Rating" means at any time in respect of any Reference Obligation:

- (i) if such Reference Obligation is rated by Fitch, the rating assigned thereto by Fitch;
- (ii) if such Reference Obligation is not rated by Fitch and a rating is published by both S&P and Moody's, the Fitch Rating shall be the equivalent to the lower of such ratings unless otherwise advised by Fitch, in which case the Fitch Rating shall be the rating advised;
- (iii) if such Reference Obligation is not rated by Fitch and a rating is published by only one of S&P and Moody's, the equivalent of that rating, unless otherwise advised by Fitch, in which case the Fitch Rating shall be the rating advised;
- (iv) in all other circumstances, the Fitch Rating shall be the shadow rating assigned by Fitch upon request of the Portfolio Manager, or if none is assigned, the Reference Obligation shall be deemed not to have a Fitch Rating,

in each case at such time.

"Fitch Rating Factor" means in relation to any Reference Obligation, the number set forth in the table below opposite the Fitch Rating of such Reference Obligation:

Fitch Rating	Fitch Rating Factor	Fitch Rating	Fitch Rating Factor:
AAA	1.30	BBB-	20.00
AA+	2.00	BB+	37.00
AA	2.30	BB	43.50
AA-	3.30	BB-	46.50
A+	4.00	B+	50.00
A	5.00	B	52.20
A-	7.50	B-	65.00
BBB+	10.00	CCC+	90.00
BBB	14.00	CCC	100.00

"Fitch Raw Sector Score" means, for each Fitch Sector, the sum of the Fitch Assigned Subsector Scores for each Fitch Assigned Subsector included within such Fitch Sector.

"Fitch Sector" means the Fitch Sectors set out in the table set out above in the definition of **"Fitch Assigned Sector Score"**.

"Fitch Sector Score" means the sum of the Fitch Assigned Sector Scores.

"Fitch Subsector Allocation" means, at any time, for each Fitch Assigned Subsector as of the relevant Measurement Date, the aggregate of the Outstanding Principal Amount of each Reference Obligation attributable to each such Fitch Assigned Subsector divided by the sum of all Outstanding Principal Amounts forming part of the Reference Portfolio at such time.

"Fitch Weighted Average Rating Factor" means the number obtained on the relevant Measurement Date by dividing (i) the summation of the series of products obtained by multiplying (1) the Outstanding Principal Amount on such Measurement Date of each Reference Obligation by (2) its respective Fitch Rating Factor on such Measurement Date and (ii) the sum of the Outstanding Principal Amount for each Reference Obligation for each Reference Obligation forming part of the Reference Portfolio as of such Measurement Date, and rounding the result up to the nearest whole number.

"Fitch Weighted Average Recovery Rate" on any Measurement Date is the number obtained by summing the products obtained by multiplying the Outstanding Principal Balance of each Reference Obligation by its Fitch Applicable Recovery Rate, dividing such sum by the aggregate Outstanding Principal Amount of all Reference Obligations, multiplying the result by 100 and rounding up to the first decimal place.

"Moody's Applicable Recovery Rate" means, with respect to any Reference Obligation on any Measurement Date or with respect to any Valuation Date, as applicable, the lesser of an amount equal to the percentage for such Reference Obligation set forth in the Moody's recovery rate matrix set forth below in this definition in (x) the table corresponding to the relevant Moody's Recovery Category, (y) the column in such table setting forth the Moody's Rating of such Reference Obligation on the date of issue and (z) the row in such table opposite the percentage of the Category of which such Reference Obligation is a part relative to the total capitalisation of (including both debt and equity securities issued by) the Associated Entity in respect of or obligor of such Reference Obligation, determined on the date of issue of the Reference Obligation, provided that the Moody's Applicable Recovery Rate for a Reference Obligation that is a Whole Business Securitisation Security is 45 per cent.

Recovery Category 1

Percentage of total capitalisation		Moody's Rating					
From but excluding	To and including	Aaa	Aa	A	Baa	Ba	B
70%	100%	85%	80%	70%	60%	50%	40%
10%	70%	75%	70%	60%	50%	40%	30%
0%	10%	70%	65%	55%	45%	35%	25%

Recovery Category 2

Percentage of total capitalisation		Moody's Rating					
From but excluding	To and including	Aaa	Aa	A	Baa	Ba	B
70%	100%	85%	80%	65%	55%	45%	30%
10%	70%	75%	70%	55%	45%	35%	25%
5%	10%	65%	55%	45%	40%	30%	20%
2%	5%	55%	45%	40%	35%	25%	15%
0%	2%	45%	35%	30%	25%	15%	10%

Recovery Category 3

Percentage of total capitalisation		Moody's Rating					
From but excluding	To and including	Aaa	Aa	A	Baa	Ba	B
70%	100%	85%	80%	65%	55%	45%	30%
10%	70%	75%	70%	55%	45%	35%	25%
5%	10%	65%	55%	45%	35%	25%	15%
2%	5%	55%	45%	35%	30%	20%	10%
0%	2%	45%	35%	25%	20%	10%	5%

Recovery Category 4

Percentage of total capitalisation		Moody's Rating					
From but excluding	To and including	Aaa	Aa	A	Baa	Ba	B
70%	100%	80%	75%	60%	50%	45%	30%
10%	70%	70%	60%	55%	45%	35%	25%
5%	10%	60%	50%	45%	35%	25%	15%
2%	5%	50%	40%	35%	30%	20%	10%
0%	2%	30%	25%	20%	15%	7%	4%

Recovery Category 5

Percentage of total capitalisation		Moody's Rating					
From but excluding	To and including	Aaa	Aa	A	Baa	Ba	B
70%	100%	85%	80%	65%	55%	45%	30%
10%	70%	75%	70%	60%	50%	40%	25%
5%	10%	65%	55%	50%	40%	30%	20%
2%	5%	55%	45%	40%	35%	25%	10%
0%	2%	45%	35%	30%	25%	10%	5%

"**Moody's Diversity Score**" shall be calculated as set out below:

Moody's Diversity Score is the number of independent assets with identical notional amount which as a portfolio have the same total notional amount, expected loss and variance as the Reference Portfolio. Moody's divides assets according to their Moody's Industry Category as reasonably assigned to the Reference Obligation by the Portfolio Manager and assigns a Correlation among assets in different Industries:

- (i) for each Issue:
 - (a) multiply the sum of the Outstanding Principal Amounts for each Reference Obligation forming part of such Issue by the Default Probability of that Issue, then sum the results for all Issues
 - (b) multiply the sum of the Outstanding Principal Amounts for each Reference Obligation forming part of such Issue by one minus the Default Probability of that Issue, then sum the results for all Issues

- (ii) multiply (i)(a) by (i)(b)
- (iii) for each Issue (also referred to as the first Issue):
- (a) (1) multiply the Default Probability of the first Issue by one minus the Default Probability of the first Reference Entity, then take the square root of the result,
- (2) multiply (iii)(a)(1) by the sum of the Outstanding Principal Amounts for each Reference Obligation forming part of the first Issue
- (b) (1) for each other Issue (other than the first Issue):
- multiply the Default Probability of the other Issue by one minus the Default Probability of the other Issue, then take the square root of the result,
- (2) multiply (iii)(b)(1) by the sum of the Outstanding Principal Amounts for each Reference Obligation forming part of the other Issue and by the Correlation of the other Issue with the first Issue, then sum the results for all other Issues
- (c) multiply (iii)(a) by (iii)(b) then sum the results for all first Issues
- (iv) divide (ii) by (iii)

$$D = \frac{\left\{ \sum_{j=1}^T (N_j * P_j) \right\} * \left\{ \sum_{j=1}^T (N_j * (1 - p_j)) \right\}}{\sum_{j=1}^T \left\{ \left(\sum_{k=1}^T (r_{jk} * N_k * \sqrt{(p_k * (1 - p_k))}) \right) * N_j * \sqrt{(p_j * (1 - p_j))} \right\}}$$

D = Moody's Diversity Score

N_j = Sum of the Outstanding Principal Amounts for all Reference Obligations forming part of the (first) Issue

N_k = Sum of the Outstanding Principal Amounts for all Reference Obligations forming part of other Issues

p_j = Default Probability of (first) Issue

p_k = Default Probability of other Issue

T = Total number of Issues

r_{jk} = Correlation of other Issue with first Issue

Default Probability means the cumulative probability that an Issue defaults over its tenor (which for this purpose shall mean the Remaining Weighted Average Life, rounded to the nearest whole number). The calculation is to divide expected loss by 1 minus the Moody's Applicable Recovery Rate.

If more than one Reference Obligation forms part of an Issue, the Default Probability for that Issue shall be obtained by using:

- (i) the lowest rating of all Reference Obligations forming that Issue;

- (ii) the longest Remaining Weighted Average Life of all Reference Obligations forming that Issue; and
- (iii) the lowest Moody's Applicable Recovery Rate of all Reference Obligations forming that Issue.

Average Default Probability means the weighted average of the Default Probabilities of the Issues in the Reference Portfolio. The weight is the sum of the Outstanding Principal Amounts for all Reference Obligations forming part of such Issue.

Correlation means the default event correlation between Reference Obligations in different Moody's Industry Categories, as adjusted by the New Moody's Rules. Moody's assigned values are shown in the table below. "Moody's Industry Categories" are denoted by Moody's assigned number as set out in the table below.

MOODY'S INDUSTRY CATEGORIES AND RECOVERY CATEGORIES

Moody's Assigned Number	Class	Moody's Industry Category	Moody's Recovery Category
1	ABS	ABS-US-Auto-IG	1
2	ABS	ABS-US-Auto-SIG	1
3	ABS	ABS-US-CC-IG	1
4	ABS	ABS-US-CC-SIG	1
5	ABS	ABS-US-Ents-IG	3
6	ABS	ABS-US-Ents-SIG	3
7	ABS	ABS-US-HEL-IG	2
8	ABS	ABS-US-HEL-SIG	2
9	ABS	ABS-US-MH-IG	2
10	ABS	ABS-US-MH-SIG	2
11	ABS	ABS-US-StdLn-IG	1
12	ABS	ABS-US-StdLn-SIG	1
13	ABS	ABS-US-SBL-IG	3
14	ABS	ABS-US-SBL-SIG	3
15	ABS	ABS-US-TaxLn-IG	3
16	ABS	ABS-US-TaxLn-SIG	3
17	ABS	ABS-US-MFF-IG	3
18	ABS	ABS-US-MFF-SIG	3
19	ABS	ABS-US-Setts-IG	3
20	ABS	ABS-US-Setts-SIG	3
21	ABS	ABS-US-Util-IG	3
22	ABS	ABS-US-Util-SIG	3
23	ABS	ABS-GLB-AirLs-IG	3
24	ABS	ABS-GLB-AirLs-SIG	3
25	ABS	ABS-GB-CC-IG	1
26	ABS	ABS-GB-StdLn-IG	1
27	ABS	ABS-FR-CC-IG	1
28	ABS	ABS-FR-MB-IG	2

29	ABS	ABS-DE-CC-IG	1
30	ABS	ABS-DE-MB-IG	2
31	ABS	ABS-ES-CC-IG	1
32	ABS	ABS-ES-MB-IG	2
33	ABS	ABS-IT-Ls-IG	3
34	ABS	ABS-IT-NPL-IG	3
35	ABS	ABS-IT-CC-IG	1
36	ABS	ABS-BLX-BLXAB-IG	1
37	ABS	ABS-POR-PORAB-IG	1
38	ABS	ABS-NDC-NDCAB-IG	3
39	ABS	ABS-SEU-SEUAB-IG	3
40	CDO	CDO-US-CDO-Aaa	4
41	CDO	CDO-US-CDO-Aa	4
42	CDO	CDO-US-CDO-A	4
43	CDO	CDO-US-CDO-Baa	4
44	CDO	CDO-US-CDO-Ba	4
45	CDO	CDO-US-CDO-B	4
46	CDO	CDO-US-HY-Aaa	5
47	CDO	CDO-US-HY-Aa	5
48	CDO	CDO-US-HY-A	5
49	CDO	CDO-US-HY-Baa	5
50	CDO	CDO-US-HY-Ba	5
51	CDO	CDO-US-HY-B	5
52	CDO	CDO-EM--Aaa	4
53	CDO	CDO-EM--Aa	4
54	CDO	CDO-EM--A	4
55	CDO	CDO-EM--Baa	4
56	CDO	CDO-EM--Ba	4
57	CDO	CDO-EM--B	4
58	CDO	CDO-EUR-HYAs-IG	5
59	CDO	CDO-EUR-IGAs-IG	5
60	CDO	CDO-EUR-CDO-IG	4
61	CDO	CDO-GB-SMEs-IG	5
62	CDO	CDO-FR-SMEs-IG	5
63	CDO	CDO-DE-SMEs-IG	5
64	CDO	CDO-BLX-SMEs-IG	5
65	CDO	CDO-ES-SMEs-IG	5
66	CDO	CDO-GLB-IGAs-IG	5
67	CMBS	CMBS-US-CondT-IG	3
68	CMBS	CMBS-US-CondT-SIG	3
69	CMBS	CMBS-US-CrdTn-IG	3
70	CMBS	CMBS-US-CrdTn-SIG	3
71	CMBS	CMBS-US-LgLn-IG	3
72	CMBS	CMBS-US-LgLn-SIG	3

73	CMBS	CMBS-GB-CM-All	3
74	CMBS	CMBS-FR-CM-All	3
75	CMBS	CMBS-DE-CM-All	3
76	CMBS	CMBS-IT-CM-All	3
77	CMBS	CMBS-BLX-CM-All	3
78	CMBS	CMBS-EUR-CM-All	3
79	CORP	CORP-GLB-mAero-IG	Not Applicable
80	CORP	CORP-GLB-mAero-SIG	Not Applicable
81	CORP	CORP-GLB-mAuto-IG	Not Applicable
82	CORP	CORP-GLB-mAuto-SIG	Not Applicable
83	CORP	CORP-GLB-mBank-IG	Not Applicable
84	CORP	CORP-GLB-mBank-SIG	Not Applicable
85	CORP	CORP-GLB-mBevg-IG	Not Applicable
86	CORP	CORP-GLB-mBevg-SIG	Not Applicable
87	CORP	CORP-GLB-mBldg-IG	Not Applicable
88	CORP	CORP-GLB-mBldg-SIG	Not Applicable
89	CORP	CORP-GLB-mChem-IG	Not Applicable
90	CORP	CORP-GLB-mChem-SIG	Not Applicable
91	CORP	CORP-GLB-mCont-IG	Not Applicable
92	CORP	CORP-GLB-mCont-SIG	Not Applicable
93	CORP	CORP-GLB-mPers-IG	Not Applicable
94	CORP	CORP-GLB-mPers-SIG	Not Applicable
95	CORP	CORP-GLB-mMnfg-IG	Not Applicable
96	CORP	CORP-GLB-mMnfg-SIG	Not Applicable
97	CORP	CORP-GLB-mSrvc-IG	Not Applicable
98	CORP	CORP-GLB-mSrvc-SIG	Not Applicable
99	CORP	CORP-GLB-mNat-IG	Not Applicable
100	CORP	CORP-GLB-mNat-SIG	Not Applicable
101	CORP	CORP-GLB-mEco-IG	Not Applicable
102	CORP	CORP-GLB-mEco-SIG	Not Applicable
103	CORP	CORP-GLB-mElec-IG	Not Applicable
104	CORP	CORP-GLB-mElec-SIG	Not Applicable
105	CORP	CORP-GLB-mFin-IG	Not Applicable
106	CORP	CORP-GLB-mFin-SIG	Not Applicable
107	CORP	CORP-GLB-mFarm-IG	Not Applicable
108	CORP	CORP-GLB-mFarm-SIG	Not Applicable
109	CORP	CORP-GLB-mGroc-IG	Not Applicable
110	CORP	CORP-GLB-mGroc-SIG	Not Applicable
111	CORP	CORP-GLB-mHlth-IG	Not Applicable
112	CORP	CORP-GLB-mHlth-SIG	Not Applicable
113	CORP	CORP-GLB-mHome-IG	Not Applicable
114	CORP	CORP-GLB-mHome-SIG	Not Applicable
115	CORP	CORP-GLB-mHotl-IG	Not Applicable
116	CORP	CORP-GLB-mHotl-SIG	Not Applicable

117	CORP	CORP-GLB-mInsr-IG	Not Applicable
118	CORP	CORP-GLB-mInsr-SIG	Not Applicable
119	CORP	CORP-GLB-mLsr-IG	Not Applicable
120	CORP	CORP-GLB-mLsr-SIG	Not Applicable
121	CORP	CORP-GLB-mMchn-IG	Not Applicable
122	CORP	CORP-GLB-mMchn-SIG	Not Applicable
123	CORP	CORP-GLB-mMnig-IG	Not Applicable
124	CORP	CORP-GLB-mMnig-SIG	Not Applicable
125	CORP	CORP-GLB-mOil-IG	Not Applicable
126	CORP	CORP-GLB-mOil-SIG	Not Applicable
127	CORP	CORP-GLB-mFood-IG	Not Applicable
128	CORP	CORP-GLB-mFood-SIG	Not Applicable
129	CORP	CORP-GLB-mPubs-IG	Not Applicable
130	CORP	CORP-GLB-mPubs-SIG	Not Applicable
131	CORP	CORP-GLB-mCarg-IG	Not Applicable
132	CORP	CORP-GLB-mCarg-SIG	Not Applicable
133	CORP	CORP-GLB-mRetl-IG	Not Applicable
134	CORP	CORP-GLB-mRetl-SIG	Not Applicable
135	CORP	CORP-GLB-mTele-IG	Not Applicable
136	CORP	CORP-GLB-mTele-SIG	Not Applicable
137	CORP	CORP-GLB-mText-IG	Not Applicable
138	CORP	CORP-GLB-mText-SIG	Not Applicable
139	CORP	CORP-GLB-mTrns-IG	Not Applicable
140	CORP	CORP-GLB-mTrns-SIG	Not Applicable
141	CORP	CORP-GLB-mUtil-IG	Not Applicable
142	CORP	CORP-GLB-mUtil-SIG	Not Applicable
143	CORP	CORP-GLB-mEnts-IG	Not Applicable
144	CORP	CORP-GLB-mEnts-SIG	Not Applicable
145	REITS	REITS-US-Hotel-All	3
146	REITS	REITS-US-Fmly-All	3
147	REITS	REITS-US-Offc-All	3
148	REITS	REITS-US-Retl-All	3
149	REITS	REITS-US-Inds-All	3
150	REITS	REITS-US-Hlth-All	3
151	REITS	REITS-US-Store-All	3
152	REITS	REITS-US-Divrs-All	3
153	RMBS	RMBS-US-ResA-IG	2
154	RMBS	RMBS-US-ResA-SIG	2
155	RMBS	RMBS-US-ResBC-IG	2
156	RMBS	RMBS-US-ResBC-SIG	2
157	RMBS	RMBS-AUS-RM-All	2
158	RMBS	RMBS-GB-RM P-All	2
159	RMBS	RMBS-GB-RM SP-All	2
160	RMBS	RMBS-IE-RM-All	2

161	RMBS	RMBS-IT-RM-All	2
162	RMBS	RMBS-FR-RM-All	2
163	RMBS	RMBS-DE-RM-All	2
164	RMBS	RMBS-ES-RM-All	2
165	RMBS	RMBS-BLX-RM-All	2

New Moody's Rules means the following set of rules pursuant to which the Correlation between Reference Obligations is adjusted:

- (a) if two Reference Obligations are guaranteed by the same guarantor, the Correlation between the two shall be the Maximum Theoretical Correlation between them;
- (b) if two Reference Obligations are managed by the same collateral manager, the Correlation between the two shall be the Maximum Theoretical Correlation between them;
- (c) if two Reference Obligations form part of the same issue and neither of them is guaranteed, the Correlation between the two shall be the Maximum Theoretical Correlation between them;
- (d) if two Reference Obligations form part of the same issue and only one of them is guaranteed, then no adjustment need be made;
- (e) if two Reference Obligations are not supported by the same collateral and are of different Specified Types, then no adjustment need be made;
- (f) if two Reference Obligations are both rated at least "Baa3" by Moody's and are not supported by the same collateral and are of the same Specified Type and the same person transferred, or arranged for the transfer of, such collateral to the issuer or issuers of such Reference Obligations, the Correlation between them shall be (i) the lesser of 75% and the Maximum Theoretical Correlation between them if they are issued within one year of one another, (ii) the lesser of 50% and the Maximum Theoretical Correlation between them if they are not issued within one year of one another but are issued within two years of one another, and (iii) the lesser of 25% and the Maximum Theoretical Correlation in all other cases;
- (g) if two Reference Obligations are (i) not both rated at least "Baa3" by Moody's, (ii) are not supported by the same collateral, (iii) are of the same Specified Type, and (iv) the same person transferred, or arranged for the transfer of, such collateral to the issuer or issuers of such Reference Obligations, the Correlation between them shall be (A) the Maximum Theoretical Correlation between them if they are issued within one year of one another, (B) the lesser of 70% and the Maximum Theoretical Correlation between them if they are not issued within one year of one another but are issued within two years of one another, and (C) the lesser of 40% and the Maximum Theoretical Correlation in all other cases.

Maximum Theoretical Correlation has the meaning ascribed to it by Moody's for the purposes of its diversity score calculation.

Specified Type has the meaning ascribed to it by Moody's from time to time for the purposes of its diversity score calculation.

"Moody's Industry Category" means each of the Moody's Industry Categories set out in the Definition of Moody's Diversity Score above, which, in respect of a Reference Obligation, have the

meanings given to such terms by Moody's as at the date on which such Reference Obligation was included in the Reference Portfolio.

"**Moody's Rating**" means in relation to each Reference Obligation:

- (i) if such Reference Obligation is publicly rated by Moody's, the Moody's Rating shall be such rating unless the Reference Obligation has been placed on credit watch for downgrade by Moody's in which case the Moody's Rating shall be one subcategory below the rating assigned by Moody's;
- (ii) if such Reference Obligation is not publicly rated by Moody's, but the Portfolio Manager has requested that Moody's assign a rating to such Reference Obligation, the Moody's Rating shall be the rating so assigned by Moody's;
- (iii) if such Reference Obligation is not rated by Moody's, then the Moody's Rating of such Reference Obligation, will be as follows:
 - (A) with respect to any Reference Obligation that is not a CDO (provided that, for the avoidance of doubt, Securitisations of SME's shall not constitute CDOs for these purposes) and is in the reasonable opinion of the Portfolio Manager primarily backed by European assets and is rated by both S&P and Fitch, the following notching provisions apply provided that the notches are taken from the lower of the ratings assigned by Fitch and S&P respectively:

I Reference Obligations that are not RMBS or CMBS

ASSET CLASS (which, in respect of a Reference Obligation, have the meanings given to such term by Moody's as at the date on which such Reference Obligation was included in the Reference Portfolio)	Lower of Rating by S&P and Fitch "AAA" to "BBB-"	Lower of Rating by S&P and Fitch below "BBB-"
Auto-Prime	1	2
Consumer Loans	1	2
Credit Card	1	2
Leases other than Italian Leases	1	2
Italian Leases*	1	2
Non-Performing Loans	1	2
Securitisations of SMEs	1	2

- * provided that the highest Moody's Rating for a Reference Obligation that is an Italian Lease determined pursuant to this provision shall be "A1" unless the originator of such Reference Obligation is rated "Baa3" or higher by Moody's or "BBB" or higher by S&P.

II Reference Obligations that are RMBS

ASSET CLASS (which, in respect of a Reference Obligation, have the meanings given to such term by Moody's as at the date on which such Reference Obligation was included in the Reference Portfolio)	Lower of Rating by S&P and Fitch "AAA" to "BBB-"	Lower of Rating by S&P and Fitch below "BBB-"
Non-German Residential Mortgages	1	2

The Moody's Rating for a Reference Obligation whose Asset Class (as defined in accordance with the above) is German Residential Mortgage and that is rated "AAA" by both Fitch and S&P shall be "Aa1". The Moody's Rating for a Reference Obligation whose Asset Class is German Residential Mortgage and that is not rated "AAA" by both Fitch and S&P may not be determined pursuant to this sub-paragraph (iii).

III Reference Obligations that are CMBS

With respect to any Reference Obligation (a) that is a CMBS, (b) in respect of which, in the reasonable opinion of the Portfolio Manager, more than 90 per cent. of the collateral base comprises traditional commercial real estate classes, (c) the payment structure in respect of which has pro rata features, or the payment waterfall in respect of which provides for a pass-through sequential structure, (d) for which the collateral base is comprised of not more than five per cent. exposure to Tier D countries (Greece, Italy, Portugal and Eastern European countries) (e) for which European properties make up more than 50 per cent. of the security and (f) that has the benefit of some form of liquidity facility, the Moody's Rating shall be 2.5 subcategories below the lower of the ratings assigned to such Reference Obligation by S&P and Fitch, respectively;

- (B) with respect to any Reference Obligation that is a CDO and (x) is in the reasonable opinion of the Portfolio Manager primarily backed by European assets, (y) is issued by an Issuer which has any debt obligation which is rated by Moody's and is backed by the same assets and (z) is rated by both S&P and Fitch, the Moody's Rating shall be (i) in the case of a Reference Obligation rated "BBB-" or above by Fitch and S&P, one subcategory below the lower of the ratings assigned by S&P and Fitch and (ii) in the case of a Reference Obligation rated below "BBB-" by either S&P or Fitch, two subcategories below the lower of the ratings assigned by S&P and Fitch; and
- (C) with respect to any Reference Obligation that is in the reasonable opinion of the Portfolio Manager backed primarily by North American assets, the following notching provisions shall apply:

I Reference Obligations that are not RMBS, CMBS or CDOs

The following notching conventions are appropriate only for Reference Obligations rated by S&P. The figures represent the number of notches to be subtracted from the S&P rating. For example, a "1" applied to an S&P rating of "BBB" implies a Moody's Rating of "Baa3".

ASSET CLASS (which, in respect of a Reference Obligation, have the meanings given to such terms by Moody's as at the date on which such Reference Obligation was included in the Reference Portfolio)	Rating by S&P "AAA" to "AA-"	Rating by S&P "A+" to "BBB"	Rating by S&P below "BBB"
Agricultural and Industrial Equipment loans	1	2	3
Aircraft and Auto leases	2	3	4
Arena and Stadium Financing	1	2	3
Auto loan	1	2	3
Boat, Motorcycle, RV, Truck	1	2	3
Computer, Equipment and Small-ticket item leases	1	2	3
Consumer Loans	1	3	4
Credit Card	1	2	3
Cross-border transactions	1	2	3
Entertainment Royalties	1	2	3
Floorplan	1	2	3
Franchise Loans	1	2	4
Future Receivables	1	1	2
Health Care Receivables	1	2	3
Manufactured Housing	1	2	3
Mutual Fund Fees	1	2	4
Small Business Loans	1	2	3
Stranded Utilities	1	2	3

Structured Settlements	1	2	3
Student Loan	1	2	3
Tax Liens	1	2	3
Trade Receivables	2	3	4

II Reference Obligations that are RMBS

- (a) The following notching conventions are appropriate only for Reference Obligations rated by S&P:

ASSET CLASS (which, in respect of a Reference Obligation, have the meanings given to such terms by Moody's as at the date on which such Reference Obligation was included in the Reference Portfolio)	Rating by S&P above A+	Rating by S&P A+ to BBB-	Rating by S&P Below BBB-
Home Equity Loans	1	2	3
Jumbo A	1	2	3
Residential B & C	1	2	3

- (b) The following notching conventions apply to Reference Obligations rated by Fitch only:

ASSET CLASS (which, in respect of a Reference Obligation, have the meanings given to such terms by Moody's as at the date on which such Reference Obligation was included in the Reference Portfolio)	Rating by Fitch AAA to AA-	Rating by Fitch Below A+ to BBB-	Rating by Fitch Below BBB-
Jumbo A	2	3	4

III Reference Obligations that are CMBS

The following notching conventions are applicable with respect to Reference Obligations rated by S&P and/or Fitch:

ASSET CLASS (which, in respect of a Reference Obligation, have the meanings given to such terms by Moody's as at the date on which such Reference Obligation was included in the Reference Portfolio)	Where the tranche of which the Reference Obligation forms a part is rated by both S&P and Fitch and no part of the Issue of which the Reference Obligation forms a part is rated by Moody's	Where the tranche of which the Reference Obligation forms a part is rated by S&P or Fitch and at least one other tranche of the Issue of which the Reference Obligation forms a part is rated by Moody's
Conduit	2 notches from lower of Fitch/S&P	1.5 notches from lower of Fitch/S&P
Credit Tenant Lease	Follow corporate notching practice	Follow corporate notching practice
Large Loan	Such Reference Obligation will be deemed not to have a Moody's Rating	

IV. Reference Obligations that are CDOs

No notching permitted. If Moody's have not assigned a rating to the tranche of which the Reference Obligation forms a part, such Reference Obligation shall be deemed not to have a Moody's Rating,

provided that if a Moody's Rating is being determined for a Reference Obligation pursuant to this sub-paragraph (iii) on the basis of a rating by S&P and/or Fitch of "CCC" or lower, then the Moody's Rating for such Reference Obligation shall be the equivalent rating by Moody's without reducing such rating by any notching for the purposes of sub-paragraph (b) of the definition of Loss Event and sub-paragraph (ii) (I) of the definition of Failure to Pay.

For the avoidance of doubt, if a Reference Obligation does not fall within one of the circumstances set out in this definition of Moody's Rating, then such Reference Obligation shall be deemed not to have a Moody's Rating.

"**Moody's Rating Factor**" in relation to any Reference Obligation, the number set forth in the table below opposite the Moody's Rating of such Reference Obligation:

Moody's Rating	Moody's Rating Factor	Moody's Rating	Moody's Rating Factor
Aaa	1	Ba1	940
Aa1	0	Ba2	1,350
Aa2	20	Ba3	1,780
Aa3	40	B1	2,220
A1	70	B2	2,720
A2	120	B3	3,490
A3	180	Caa1	4,770
Baa1	260	Caa2	6,500
Baa2	360	Caa3	8,070
Baa3	610	Ca or lower	10,000

"Moody's Recovery Category" means in respect of each Reference Obligation the number corresponding to the Moody's Recovery Category determined in respect of the Moody's Industry Category for such Reference Obligation pursuant to the table set out in the definition of Moody's Diversity Score above.

"Moody's Weighted Average Rating Factor" on any Measurement Date is the number determined by dividing (i) the summation of the series of products obtained by multiplying (1) the Outstanding Principal Balance on such Measurement Date of each such Reference Obligation by (2) its respective Moody's Rating Factor on such Measurement Date, and (ii) the sum of the Outstanding Principal Balance on such Measurement Date of all Reference Obligations.

"Moody's Weighted Average Recovery Rate" is the number obtained by summing the products obtained by multiplying the principal balance of each Reference Obligation by its Moody's Applicable Recovery Rate, dividing such sum by the aggregate Outstanding Principal Amount of all such Reference Obligations, multiplying the result by 100 and rounding up to the first decimal place.

"Rating Agency" means each of Moody's and Fitch or such other internationally recognised statistical rating agency as may be agreed between the Swap Counterparty, and the Portfolio Manager.

"Rating Condition" means, with respect to any action taken or to be taken in respect of the Reference Portfolio, a condition that is satisfied when each Rating Agency has confirmed in writing to the Portfolio Manager, the Swap Counterparty, the Trustee and the Issuer that such action will not have an adverse effect on the then current rating (including any private or confidential rating) that would be ascribed to the various tranches (as illustrated by the Tranche Amounts) of the Reference Portfolio for the purpose of any hedging transaction which may be or has been entered into.

"RMBS" means any Asset Backed Security that is or relates to Underlying Assets which consist of global mortgages, global subprime mortgages, sub-prime and non-performing mortgage backed securities provided that, for the avoidance of doubt, a Repackaged Security shall only constitute an RMBS if the relevant Underlying Asset Backed Security is an RMBS.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. or any Successor, which is an internationally recognised statistical rating organisation.

"Selected RA Case" means for each Reporting Period the Fitch Case or Moody's Case, as applicable, selected by the Portfolio Manager amongst the Cases set out below in the Fitch Portfolio Test Matrix or Moody's Portfolio Test Matrix, as applicable or as otherwise agreed with Fitch and/or Moody's as applicable, for such Reporting Period, and as set out in the Portfolio Report produced on the first day of such Reporting Period.

Fitch Portfolio Test Matrix

Fitch Case	Fitch Sector Score	Fitch Weighted Average Recovery Rate	Fitch Weighted Average Rating
A	9	15 per cent.	7.5
B	10	15 per cent.	8.5
C	10	20 per cent.	9.5

Moody's Portfolio Test Matrix

Moody's Case	Moody's Diversity Score	Moody's Weighted Average Recovery Rate	Moody's Weighted Average Rating Factor
1	36	50.1 per cent.	155
2	38	47.1 per cent.	175
3	40	45.0 per cent.	180
4	40	47.4 per cent.	195
5	42	44.1 per cent.	200

"Servicer" means, with respect to a Reference Obligation, the Person which, under the relevant Reference Agreements, is responsible for collection and administration of the Underlying Assets and/or for providing information on the Underlying Assets to be made available to certain other parties to the Reference Agreements. For Reference Obligations which belong to the asset class of CDOs, Servicer means the Person which is responsible for managing the Underlying Assets, such role to include decision making regarding the purchase and sale of the Underlying Assets.

"Single Property CMBS" means a commercial mortgage backed security that is secured on either a single property or a group of properties that are directly associated as a result of their physical proximity to each other.

DESCRIPTION OF THE REFERENCE PORTFOLIO

It is expected that Reference Obligations comprising approximately 34.7% of the Maximum Aggregate Notional will be determined as of the Issue Date. The remainder of the Reference Portfolio will be selected during the Ramp-Up Period by the Portfolio Manager pursuant to, and in compliance with, the Asset Specific Criteria and Reference Portfolio Guidelines contained in the Swap Agreement, and which are reproduced below.

In addition, on any Business Day from and including the Ramp-Up Rating Confirmation Date to and including the Replenishment Period End Date, the Issuer may add new Reference Obligations to the Reference Portfolio to replace in whole or in part any Reference Obligation which has been redeemed or to the extent it has amortised, or been removed pursuant to a Removal provided that (i) the Aggregate Portfolio Notional Amount on such Replenishment Date is not greater than the Maximum Aggregate Notional, (ii) the Outstanding Notional Amount immediately prior to such Replenishment is equal to or greater than the Amortisation Threshold, (iii) the Reference Obligation to be added complies with each of the Asset Specific Criteria and (iv) the Reference Portfolio either (A) complies with the Reference Portfolio Guidelines or (B) if the Reference Portfolio is in breach of any of the Reference Portfolio Guidelines prior to the proposed addition, the proposed addition improves the extent to which the Reference Portfolio complies with such Reference Portfolio Guidelines.

The ability of the Issuer to add Reference Obligations to the Reference Portfolio shall be suspended upon the occurrence and during the continuation of a Suspension Event.

The Issuer may on any Business Day remove the whole or part of any Reference Obligation from the Reference Portfolio, if (a) such Removal would not cause the cumulative total of the Outstanding Principal Amounts of all Reference Obligations removed from the Reference Portfolio on such day and in the calendar year immediately preceding such day (pursuant to all removals other than under (b) below or pursuant to the occurrence of a Credit Event or an amortisation or repayment in whole) to exceed 10% of the Maximum Aggregate Notional, (b) the Reference Obligation is (i) a Credit Impaired Reference Obligation, (ii) a Credit Improved Reference Obligation or (iii) an Interim Obligation, (c) such Removal occurs prior to the Ramp-Up Rating Confirmation Date, (d) such Removal occurs after the occurrence and during the continuation of a Suspension Event or (e) such Removal occurs after the Time Call Date.

If the Portfolio Manager is removed or retires as manager of the Reference Portfolio and no replacement manager has been/is appointed at such time, in each case pursuant to the Portfolio Management Agreement, then the Swap Counterparty may, in its sole and absolute discretion, on any Business Day effect a removal of a Reference Obligation without regard to any conditions or criteria.

Capitalised terms used in this section have the meanings ascribed to them in the Swap Agreement. See "*Certain Definitions used in the Swap Agreement*".

The Asset Specific Criteria and Reference Portfolio Guidelines as at the date hereof are set out below.

For the purposes of Asset Specific Criteria (iv), (xii), (xiii) and (xiv) and Reference Portfolio Guidelines (vi), (vii), (xi) to (xxiii) (inclusive) and (xxviii) set out below, references therein to an Asset Backed Security and/or a Reference Obligation shall, where such Asset Backed Security or Reference Obligation is a Repackaged Security, be deemed to be a reference to the relevant Underlying Asset Backed Security, and all relevant definitions shall be construed accordingly.

For the purposes of Asset Specific Criteria (xii) and (xvi) set out below, references therein to a Reference Obligation shall, where such Reference Obligation is a Repackaged Security, be deemed to

be a reference to the Repackaged Security if such Repackaged Security is insured and/or to the relevant Underlying Asset Backed Security if such Underlying Asset Backed Security is insured.

For the purposes of Reference Portfolio Guidelines (xxi) and (xxii) set out below, a Reference Obligation which is a Repackaged Security will be deemed to be insured or guaranteed if either the Repackaged Security and/or the relevant Underlying Asset Backed Security is insured or guaranteed.

1. Asset Specific Criteria

- (i) The Reference Obligation is an Asset Backed Security.
- (ii) The Reference Obligation is denominated in one of USD, EUR or GBP and is not convertible into any other currency.
- (iii) The Reference Obligation has a Public Rating by Moody's or S&P and does not have a Public Rating of less than "Baa3" by Moody's, "BBB-" by Fitch or "BBB-" by S&P.
- (iv) The Underlying Assets in respect of the Reference Obligation have a Principal Exposure Domicile in one or more of: the United States of America, Canada, the European Union and Australia.
- (v) No Credit Event has occurred and is continuing in respect of the Reference Obligation.
- (vi) Taking into account the proposed Replenishment or Ramp-Up, as applicable, the Outstanding Principal Amount of the Reference Obligation is not less than EUR 1,000,000.
- (vii) The Remaining Weighted Average Life of the Reference Obligation is less than 12 years.
- (viii) The Reference Obligation is an amortising or a bullet Asset Backed Security and provides for the periodic payment of interest, that is not, at the time of determination, determined by reference to a fixed rate, in cash and is not a capitalising or accreting Asset Backed Security or convertible or exchangeable into equity or any other security. For the avoidance of doubt, a "Payment In Kind Security" shall be deemed to have satisfied the requirement of this sub-paragraph (viii).
- (ix) The Expected Maturity of the Reference Obligation falls in or before March 2016.
- (x) So far as the Portfolio Manager is aware or is otherwise discernible from Public Information, the Reference Obligation is legally valid, binding and enforceable by a holder of such Reference Obligation in accordance with its terms and applicable provisions of law.
- (xi) Payments of interest and principal on the Reference Obligation are not, on the basis of the law then in force, subject to withholding tax in the jurisdiction of the relevant Associated Entity, in each case, unless the relevant Associated Entity is required to make gross-up payments.
- (xii) So far as the Portfolio Manager is aware or is otherwise discernible from Public Information, where a Reference Obligation is insured, the insurer shall have no rights

of subrogation in respect of that Reference Obligation until all outstanding and due obligations in respect of such Reference Obligation have been paid in full.

- (xiii) The Reference Obligation is not an Excluded Obligation.
- (xiv) If the Reference Obligation is a Payment in Kind Security, no payment of interest thereon has been capitalised by way of addition to the principal amount of such Payment in Kind Security or by way of issuance of an additional security or certificate due at a later date and, in the reasonable opinion of the Portfolio Manager based *inter alia* on Public Information, no such capitalisation will occur within the next following 12 months.
- (xv) The terms of the Reference Obligation provide for the repayment of principal.
- (xvi) Where a Reference Obligation is insured, the Reference Obligation without such insurance would, in the reasonable opinion of the Portfolio Manager, have a rating of not less than "BBB-" by each of Fitch and S&P and a rating of not less than "Baa3" by Moody's.
- (xvii) The Reference Obligation has both a Moody's Rating and a Fitch Rating, provided that if the Reference Obligation is a Repackaged Security, such Reference Obligation must either be rated by, or have had a shadow rating assigned to it by, both Moody's and Fitch.
- (xviii) If the Reference Obligation has a Fitch Rating of "BBB-" then, taking into account the proposed Replenishment or Ramp-Up, as applicable, the Outstanding Principal Amount of the Reference Obligation is not more than 1 per cent. of the Maximum Aggregate Notional.
- (xix) If the Reference Obligation has a Fitch Rating of "BBB" or "BBB+" then, taking into account the proposed Replenishment or Ramp-Up, as applicable, the Outstanding Principal Amount of such Reference Obligation is not more than 1.3 per cent. of the Maximum Aggregate Notional.
- (xx) If the Reference Obligation has a Moody's Rating of "Baa1" or lower, then after taking into account the proposed Replenishment or Ramp-Up, as applicable, the aggregate of all Outstanding Principal Amounts for all Reference Obligations that have a Moody's Rating of "Baa1" or lower does not exceed 25 per cent. of the Maximum Aggregate Notional.
- (xxi) The Legal Maturity of the Reference Obligation falls prior to the Legal Maturity Date (as defined in the Conditions) of the Notes.
- (xxii) The terms of the Reference Obligation provide that a failure to make, when and where due and payable, a payment of interest or principal will either (i) constitute an event of default (howsoever described) in respect of such Reference Obligation or (ii) give rise to a right of the holder of such Reference Obligation (or a trustee acting on its behalf) to accelerate the repayment of the then current Outstanding Principal Amount of such Reference Obligation.

2. Reference Portfolio Guidelines

- (i) The Aggregate Portfolio Notional Amount does not exceed the Maximum Aggregate Notional.
- (ii) The Moody's Weighted Average Rating Factor does not exceed the Moody's Weighted Average Rating Factor for the Selected RA Case.
- (iii) The Fitch Weighted Average Rating Factor is not greater than the Fitch Weighted Average Rating Factor for the Selected RA Case.
- (iv) The Moody's Weighted Average Recovery Rate is no less than the Moody's Weighted Average Recovery Rate for the Selected RA Case.
- (v) The Fitch Weighted Average Recovery Rate is no less than Fitch Weighted Average Recovery Rate for the Selected RA Case.
- (vi) The Moody's Diversity Score is not less than the Moody's Diversity Score for the Selected RA Case.
- (vii) The Fitch Sector Score is not less than the Fitch Sector Score for the Selected RA Case.
- (viii) The weighted average of the Remaining Weighted Average Life in years of each Reference Obligation in the Reference Portfolio does not exceed the lower of 6 years and an amount equal to the number of years from the date of determination to March 2013.
- (ix) The sum of the Outstanding Principal Amounts for all Reference Obligations for which the Moody's Rating is based on a rating by Fitch or S&P does not exceed 20 per cent. of the Maximum Aggregate Notional.
- (x) The sum of the Outstanding Principal Amounts for all Reference Obligations that have a Moody's Rating of less than "Baa2" or a Fitch Rating of less than "BBB" does not exceed 5.0 per cent. of the Maximum Aggregate Notional.
- (xi) The sum of the Outstanding Principal Amounts for all Reference Obligations (other than Interim Obligations) that are part of the same Issue does not exceed 1.5 per cent. of the Maximum Aggregate Notional.
- (xii) The sum of the Outstanding Principal Amounts for all Reference Obligations that are Interim Obligations that are part of the same Issue does not exceed 3 per cent. of the Maximum Aggregate Notional.
- (xiii) Not more than two Servicers each service Reference Obligations with aggregate Outstanding Principal Amounts of more than 7.5 per cent. of the Maximum Aggregate Notional.
- (xiv) Not more than one Servicer services Reference Obligations with aggregate Outstanding Principal Amounts of more than 10 per cent. of the Maximum Aggregate Notional.

- (xv) No Servicer services Reference Obligations with aggregate Outstanding Principal Amounts of more than 15 per cent. of the Maximum Aggregate Notional.
- (xvi) The sum of the Outstanding Principal Amounts of all Reference Obligations that are CDOs does not exceed 25 per cent. of the Maximum Aggregate Notional.
- (xvii) The sum of the Outstanding Principal Amounts of all Reference Obligations with a Principal Exposure Domicile in the United Kingdom only does not exceed 50 per cent. of the Maximum Aggregate Notional.
- (xviii) The sum of the Outstanding Principal Amounts of all Reference Obligations that are Whole Business Securitisation Securities does not exceed 10 per cent. of the Maximum Aggregate Notional.
- (xix) The sum of the Outstanding Principal Amounts for all Reference Obligations that are Payment In Kind Securities does not exceed 25 per cent. of the Maximum Aggregate Notional.
- (xx) The Look-Through Amount for any Corporate Obligor that issued or is backing a Relevant Corporate Obligation does not exceed 0.75 per cent. of the Maximum Aggregate Notional.
- (xxi) The sum of the Outstanding Principal Amounts for all Reference Obligations insured or guaranteed by any single insurer or guarantor does not exceed 5 per cent. of the Maximum Aggregate Notional.
- (xxii) The sum of the Outstanding Principal Amounts for all Reference Obligations insured or guaranteed does not exceed 15 per cent. of the Maximum Aggregate Notional.
- (xxiii) The aggregate of the Look Through CMBS Amount for any CMBS Corporate Tenant that also issued or backs a Relevant Corporate Obligation and the Look-Through Amount for such corporate tenant does not exceed 1.5 per cent. of the Maximum Aggregate Notional.
- (xxiv) The sum of the Outstanding Principal Amounts for all Reference Obligations that have a Weighted Average Life of more than 10 years does not exceed 5.6 per cent of the Maximum Aggregate Notional.
- (xxv) The sum of the Outstanding Principal Amounts for all Reference Obligations that have a Fitch Rating of "BBB+" or lower does not exceed 25 per cent. of the Maximum Aggregate Notional.
- (xxvi) The sum of the Outstanding Principal Amounts for all Reference Obligations that have a Moody's Rating of "Baa1" or lower does not exceed 25 per cent. of the Maximum Aggregate Notional.
- (xxvii) In the reasonable opinion of the Portfolio Manager, the aggregate of the Outstanding Principal Amounts of (such part of) all Reference Obligations that have or will prepay or amortise in whole or in part in or prior to May 2012 will not be less than 10 per cent. of the Maximum Aggregate Notional.
- (xxviii) The sum of Outstanding Principal Amounts for all Reference Obligations that are Synthetic CDOs does not exceed 5 per cent. of the Maximum Aggregate Notional.

- (xxix) The sum of all Outstanding Principal Amounts for all Reference Obligations that are Repackaged Securities does not exceed 5 per cent. of the Maximum Aggregate Notional.

DESCRIPTION OF THE REPORTS

Notices of Loss Amount Calculation

The Calculation Agent under the Swap Agreement shall compile and deliver to the Issuer and the Swap Counterparty a notice (the "**Notice of Loss Amount Calculation**") not later than the third Business Day preceding a Floating Rate Payer Payment Date. The Notice of Loss Amount Calculation shall contain, *inter alia*, the following information:

- (i) the issuer (and, if applicable, guarantor) of the relevant Reference Obligation;
- (ii) the relevant Reference Obligation;
- (iii) the relevant Loss Amount;
- (iv) the Valuation Date;
- (v) the Price Determination Date;
- (vi) the Final Price in respect of the relevant Reference Obligation;
- (vii) the Associated Entity; and
- (viii) the Floating Amount.

Loss Allocation Notices

The Calculation Agent shall send the Notice of Loss Amount Calculation to the Note Calculation Agent, who will calculate the Aggregate Loss, the Net Aggregate Loss and the Aggregate Outstanding Principal Amount of each Class of Notes and shall notify the Issuer and the Portfolio Administrator accordingly (such notice, the "**Loss Allocation Notice**"). The Issuer shall deliver to the Trustee, each Rating Agency, the Portfolio Manager, the Swap Counterparty and to the Noteholders (in accordance with Condition 13 (*Notices*)) the Notice of Loss Amount Calculation together with the Loss Allocation Notice no later than the second Business Day preceding a Floating Rate Payer Payment Date.

Monthly Reports

The Portfolio Administrator shall, on behalf of the Issuer and in consultation with the Portfolio Manager, no later than the fifth Business Day following each Reporting Date (as defined herein) and on the basis of having received the relevant information from the Portfolio Manager no later than each Reporting Date, compile and deliver to the Issuer, the Trustee, the Swap Counterparty, the Portfolio Manager, and each Rating Agency and promptly thereafter the Issuer shall deliver to each Noteholder (in accordance with Condition 13 (*Notices*)) a monthly report in respect of the calendar month ending on such Reporting Date in the form set out below (the "**Portfolio Report**"). Each Portfolio Report (which will contain details of the Reference Portfolio) will be in the form set out in "*Form of Portfolio Report*" below and can be obtained at the specified office of each of the Paying Agents.

If the Portfolio Manager is removed or retires as portfolio manager pursuant to the Portfolio Management Agreement and no replacement portfolio manager has been/is appointed at such time pursuant thereto, the Swap Counterparty may effect removals of a Reference Obligation. Removals made by the Swap Counterparty will be identified in each relevant Portfolio Report.

The first Portfolio Report will be delivered in August 2003.

FORM OF PORTFOLIO REPORT

HIGH TIDE CDO I S.A.

Portfolio Report dated []

EUR 54,500,000 Class A Senior Secured Floating Rate Notes due 2040 - ISIN XS 0169669081

EUR 17,000,000 Class B Senior Secured Floating Rate Notes due 2040 - ISIN XS 0169669164

EUR 29,000,000 Class C Senior Secured Floating Rate Notes due 2040 - ISIN XS 0169669248

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Capitalised terms used but not defined in this report shall have the meanings given to them in a 1992 ISDA Master Agreement (Multicurrency - Cross Border), as published by the International Swaps and Derivatives Association, Inc. together with the Schedule thereto dated as of 11th June, 2003 between High Tide CDO I.S.A. (the "**Issuer**") and Citibank N.A., London Branch (the "**Swap Counterparty**") and a Confirmation dated as of 11th June, 2003 between the Issuer and the Swap Counterparty.

SUMMARY - PORTFOLIO TESTS

Portfolio Tests	Limit	Current Reference Portfolio	Pass/Fail
(i) Aggregate Portfolio Notional Amount			
(ii) Moody's Weighted Average Rating Factor			
(iii) Fitch Weighted Average Rating Factor			
(iv) Moody's Weighted Average Recovery Rate			
(v) Fitch Weighted Average Recovery Rate			
(vi) Moody's Diversity Score			
(vii) Fitch Sector Score			
(viii) Remaining Weighted Average Life in years			
(ix) Sum of Outstanding Principal Amounts for all Reference Obligations for which the Moody's Rating is based on a rating by Fitch or S&P, expressed as a percentage of the Maximum Aggregate Notional			
(x) Sum of Outstanding Principal Amounts for all of Reference Obligations that have a Moody's Rating lower than "Baa2" and/or a Fitch Rating lower than "BBB", expressed as a percentage of the Maximum Aggregate Notional			
(xi) Largest sum of Outstanding Principal Amounts for all Reference Obligations that are part of the same Issue (excluding Interim Obligations), such largest sum expressed as a percentage of the Maximum Aggregate Notional			
(xii) Largest sum of Outstanding Principal Amounts for all Interim Obligations forming part of the Reference Portfolio that are part of the same Issue, such largest sum expressed as a percentage of the Maximum Aggregate Notional			
(xiii) Largest Servicer concentration (being the sum of Outstanding Principal Amounts for all Reference Obligations serviced by such Servicer expressed as a percentage of the Maximum Aggregate Notional)			
(xiv) Second largest Servicer concentration (being the sum of			

<p>Outstanding Principal Amounts for all Reference Obligations serviced by such Servicer expressed as a percentage of the Maximum Aggregate Notional)</p> <p>(xv) Third largest Servicer concentration (being the sum of Outstanding Principal Amounts for all Reference Obligations serviced by such Servicer expressed as a percentage of the Maximum Aggregate Notional)</p> <p>(xvi) Sum of Outstanding Principal Amounts for all Reference Obligations with a Principal Exposure Domicile in the United Kingdom only, expressed as a percentage of the Maximum Aggregate Notional</p> <p>(xvii) Sum of Outstanding Principal Amounts for all Reference Obligations that are Whole Business Securitisation Securities, expressed as a percentage of the Maximum Aggregate Notional</p> <p>(xviii) Sum of Outstanding Principal Amounts for all Reference Obligations that are Payment In Kind Securities, expressed as a percentage of the Maximum Aggregate Notional</p> <p>(xix) Corporate Obligor with the greatest maximum Look Through Amount (such Look Through Amount expressed as a percentage of the Maximum Aggregate Notional)</p> <p>(xx) Sum of Look-Through Amount and Look Through CMBS Amount for CMBS Corporate Tenant that is the same Corporate Obligor, expressed as a percentage of the Maximum Aggregate Notional</p> <p>(xxi) Largest insurer or guarantor concentration (being the sum of Outstanding Principal Amounts for all Reference Obligations insured or guaranteed by such insurer or guarantor, expressed as a percentage of the Maximum Aggregate Notional)</p> <p>(xxii) Sum of all Outstanding Principal Amounts for all Reference Obligations that are guaranteed or insured, expressed as a percentage of a Maximum Aggregate Notional</p> <p>(xxiii) Sum of Outstanding Principal Amounts for all Reference Obligations that have a Weighted Average Life of more than 10 years, expressed as a percentage of the Maximum Aggregate Notional</p> <p>(xxiv) Maximum Aggregate Notional</p>			
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(xxv) Sum of Outstanding Principal Amounts for all Reference Obligations that have a Moody's Rating of "Baa1" or lower, expressed as a percentage of the Maximum Aggregate Notional			
(xxvi) Sum of Outstanding Principal Amounts for all Reference Obligations that have a Fitch Rating of "BBB+" or lower, expressed as a percentage of the Maximum Aggregate Notional			
(xxvii) Sum of Outstanding Principal Amounts for all Reference Obligations that are Synthetic CDOs expressed as a percentage of the Maximum Aggregate Notional			

Selected RA Case (each of Moody's Case and Fitch Case) for immediately preceding Reporting Period: []

Selected RA Case (each of Moody's Case and Fitch Case) for next following Reporting Period: []

**REFERENCE PORTFOLIO COMPOSITION
AS AT REPORTING DATE FALLING ON []**

No.	Date Reference Obligation was included in Reference Portfolio (Effective Date/relevant Addition Date)	Cusip or ISIN	Name of Reference Obligation	Class	Currency of Denomination	Original Principal Amount (in Currency of Denomination) for Non-euro Reference Obligations
1						
2						
3						
4						
5						
...						

No.	Applicable Exchange Rate (expressed as the number of units of the relevant currency of denomination per euro)	Original Principal Amount (in euro)	Outstanding Principal Amount (in euro)	Factor	Associated Entity	Public Rating by Moody's	Public Rating by Fitch	Public Rating by S&P	Moody's Rating Factor*	Fitch Rating Factor
1										
2										
3										
4										
5										
...										

No.	Is Reference Obligation part of a senior tranche (Yes/No)	Legal Maturity	Date of Issuance	Expected Maturity	Remaining Weighted Average Life	Servicer	Moody's Industry Category	Fitch Assigned Subsector	Principal Exposure Domicile
1									
2									
3									
4									
5									
...									

* Moody's Rating Factor in respect of shadow rated entities will only be available to the Issuer, the Portfolio Manager and the Swap Counterparty, subject to the satisfaction of such conditions as may be required by Moody's with respect to the disclosure of such information.

No.	Total original Issue size (equity or first loss included) in Currency of Denomination	Relevant Stock Exchange on which the Reference Obligation is listed (if applicable)*	Moody's Applicable Recovery Rate	Fitch Applicable Recovery Rate
1				
2				
3				
4				
...				

No.	Payment in Kind Security (Yes/No)	CDO (Yes/No)	Whole Business Securitisation Security (Yes/No)	Insured or Guaranteed (if yes, specify Insurer/Guarantor)	Identification of Removal matching Replenishment (if applicable)
1					
2					
3					
4					
...					

* To be provided only for so long as the Notes are listed on the Luxembourg Stock Exchange.

SUMMARY - REMOVALS

No.	Removal Date	Cusip or ISIN	Name of Reference Obligation	Class	Decrease in Original Principal Amount pursuant to Removal	Original Principal Amount prior to Removal	Original Principal Amount after Removal	Factor	Type of Removal by Issuer¹/ Removal by Buyer	Unmatched Removals (specify Outstanding Principal Amount not matched)
1										
2										
...										

¹ Specify whether Removal of Credit Impaired Reference Obligation, Interim Obligation or Credit Improved Reference Obligation or Removal occurred prior to Ramp-Up Confirmation Date or after Time Call Date or removal subject to paragraph 3 of the confirmation to the Swap Agreement.

SUMMARY - CUMULATIVE ADDITIONS AND REMOVALS

No.	Addition Date	Removal Date	Name of Reference Obligation	Class	Original Principal Amount on previous Reporting Date (Effective Date in respect of first Reporting Period)	Original Principal Amount as at current Reporting Date
1						
2						
...						

SUMMARY - AMORTISATIONS (IN WHOLE OR IN PART)

No.	Date of Amortisation	Cusip or ISIN	Name of Reference Obligation	Factor prior to Amortisation	Factor after Amortisation	Outstanding Principal Amount prior to Amortisation	Outstanding Principal Amount after Amortisation
1							
2							
...							

DETAILED TEST CALCULATIONS

TRANCHE AMOUNTS

Tranche	Initial Tranche Amount	Tranche Amount as at the previous Reporting Date (Effective Date in respect of first Reporting Period)	Tranche Amount as at Current Reporting Date
Class A Tranche			
Class B Tranche			
Class C Tranche			

Definition Loss Amount	As at Previous Reporting Date (Effective Date in respect of first Reporting Period)	As at Current Reporting Date	Variation
<p>Total Loss Amount</p> <p>Sum of the Outstanding Principal Amounts for all Reference Obligations in respect of which an Event Determination Date has occurred, but in respect of which no Loss Amount has been determined;</p> <p>Sum of the Outstanding Principal Amounts for all Reference Obligations that have a Public Rating or a shadow rating by Moody's of less than "B3" and/or a Public Rating or a shadow rating of less than "B-" by Fitch.</p>			
Suspension Event	Yes/No	Yes/No	
Trigger Event	Yes/No	Yes/No	

USE OF PROCEEDS

The net proceeds of the issue of the Notes, which are expected to amount to EUR 100,500,000, will be placed by the Issuer on deposit with the Deposit Account Bank.

RATINGS OF THE NOTES

It is a condition of the issuance of the Notes that the Class A Notes be rated "Aaa" by Moody's and "AAA" by Fitch, the Class B Notes be rated at least "Aa1" by Moody's and "AA+" by Fitch and the Class C Notes be rated at least "A3" by Moody's and "A" by Fitch.

The ratings assigned to the Notes address the timely payment of the interest and repayment of principal in relation to the Notes. A 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 assigning rating agency.

Moody's Ratings

The ratings assigned to the Notes by Moody's are based upon its assessment of, *inter alia*, the average default rates and recovery rates of the Reference Obligations, the Swap Counterparty and the issuers of the Reference Obligations based largely upon Moody's statistical analysis of historical default rates on asset backed securities, the ratings of issuers of the Reference Obligations and the Reference Portfolio Guidelines that the Reference Obligations are required to satisfy.

There can be no assurance that any actual loss on the Reference Portfolio will not exceed that assumed by Moody's in its analysis and that recovery rates with respect thereto will not differ from those assumed by Moody's.

Fitch Ratings

Fitch assigns ratings to securities backed by debt obligations through a statistical analysis that measures the likelihood that a portion of the asset backed securities included in the portfolio will default. The level of default determined by the analysis is based on historical default rates for debt obligations with comparable credit ratings and terms of maturity, 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 potential excess concentrations in the portfolio based on allowable levels of diversification by region, issuer and asset type. The results of a statistical analysis are incorporated into a financial 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.

Fitch's ratings of the Notes were established under various assumptions and scenario analyses. There can be no assurance that actual defaults on the Reference Portfolio 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.

None of the Issuer, the Trustee, the Portfolio Manager, the Portfolio Administrator, the Deposit Account Bank, the Swap Counterparty, the Custodian, any Agent, the Initial Purchaser or any of their respective Affiliates makes any representation as to the expected rate of default on any of the Reference Obligations, the expected timing of any default that may occur or the rate of recoveries or losses in respect of any of the Reference Obligations.

DESCRIPTION OF THE ACCOUNTS

On or prior to the Issue Date, the Issuer will establish each of the following accounts with the Account Bank:

- (1) the Interest Collection Account;
- (2) the Principal Collection Account; and
- (3) the Tax Reserve Account.

On or prior to the Issue Date, the Issuer will establish the Deposit Account with the Deposit Account Bank and the Deposit Collateral Account with the Custodian.

The Account Bank shall at all times be a financial institution with short-term senior, unsecured and unguaranteed indebtedness ratings of at least "P-1" (and not on negative watch for downgrade by Moody's) from Moody's and "F1+" from Fitch. In the event that the Account Bank is downgraded below any of the relevant required ratings or such ratings are withdrawn, the Issuer shall use reasonable endeavours to procure that a replacement Account Bank with at least such ratings and which is acceptable to the Trustee in accordance with the provisions of the Account Agreement is appointed.

1. The Interest Collection Account

Sources of Funds

The Issuer shall deposit (or shall procure the deposit on its behalf) in the Interest Collection Account, as interest collections the following amounts:

- (a) all amounts received by it from time to time from the Swap Counterparty in respect of Fixed Amounts and termination payments (if any) under the Swap Agreement;
- (b) all amounts received by it in respect of interest paid from time to time by the Deposit Account Bank on the balance standing to the credit of the Deposit Account;
- (c) all amounts received by it in respect of interest paid from time to time on the balance standing to the credit of the Interest Collection Account and the Principal Collection Account;
- (d) any amounts received by it from the Swap Counterparty as Additional Expense Amounts under the Swap Agreement;
- (e) any Additional Tax Amounts received by it from the Swap Counterparty under the Swap Agreement;
- (f) all amounts transferred to the Interest Collection Account from the Deposit Account for the purposes of paying Floating Amounts to the Swap Counterparty; and
- (g) the sum of EUR 30,000 received by it from its share capital account.

Any interest on amounts credited to the Interest Collection Account will be retained by the Issuer in the Interest Collection Account for payment as set out below.

Use of Funds

The Issuer will procure payment of the amounts due on each Interest Payment Date or any date on which Notes are subject to redemption under the Pre-Enforcement Priority of Payments: Interest Waterfall and, in the event that the security has become enforceable and is enforced, payment of the amounts due under the Post-Enforcement Priority of Payments (and shall ensure that no other payment is paid) out of the Interest Collection Account.

2. The Principal Collection Account***Sources of Funds***

The Issuer shall deposit (or shall procure the deposit on its behalf) in the Principal Collection Account all amounts transferred from the Deposit Account for the purposes of funding amounts due and payable by the Issuer on any date on which the Notes are subject to redemption.

Use of Funds

The Issuer will procure payment of the amounts due under the Pre-Enforcement Priority of Payments: Principal Waterfall and, in the event that the security has become enforceable and is enforced, payment of the amounts due under the Post-Enforcement Priority of Payments (and shall ensure that no other amount is paid) out of the Principal Collection Account.

3. The Tax Reserve Account

Under the Swap Agreement, the Swap Counterparty is obliged to pay the Issuer amounts for the purpose of establishing a reserve for Luxembourg taxes payable by the Issuer. These amounts will be credited by (and on behalf of) the Issuer to the Tax Reserve Account and (prior to enforcement by the Trustee of the security over the Tax Reserve Account) may only be used to pay such taxes and to pay the Residual Counterparty Amount to the Swap Counterparty under the Swap Agreement.

4. The Deposit Account***Sources of Funds***

The Issuer shall deposit in the Deposit Account the proceeds from the issuance of the Notes on the Issue Date.

Use of Funds

The Issuer shall transfer (or procure the transfer of) the following amounts:

- (a) amounts required to fund redemption of the Notes (whether early redemption or otherwise), which shall be transferred to the Principal Collection Account; and
- (b) amounts required to pay Floating Amounts to the Swap Counterparty, which shall be transferred to the Interest Collection Account.

In the event that the security has become enforceable and is enforced, amounts standing to the credit of the Deposit Account will be used to pay amounts due under the Post-Enforcement Priority of Payments.

5. The Deposit Collateral Account

Sources of Funds

In the event that the Deposit Account Bank suffers a ratings downgrade as further described in the section "*Information relating to the Deposit Account Agreement*", the Deposit Account Bank may deposit Deposit Collateral comprising Eligible Securities into the Deposit Collateral Account by way of title transfer to the Issuer under the Deposit Account Agreement.

Use of Funds

The Deposit Account Agreement provides that payments of interest, premium (if any) and/or principal received on the Deposit Collateral shall be credited to the Deposit Collateral Account and, unless the security over the Deposit Collateral Account is enforced pursuant to the Trust Deed, shall forthwith be paid to the Deposit Account Bank in accordance with Condition 2(b)(iii) (*Status of Notes and Order of Priorities – Order of Priorities prior to enforcement - Deposit Collateral and Transfers*).

INFORMATION RELATING TO THE ISSUER

General

High Tide CDO I S.A. (the "**Issuer**") was incorporated as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg on 15th April, 2003 under number B 92.938 and copies of its articles of incorporation were lodged with the Luxembourg trade and companies register under number B 92.938 on 28th April, 2003. A copy of the company's articles of incorporation were published in the Luxembourg official gazette (*Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations*) under number C.493, page 23,651 on 7th May, 2003. The registered office of the Issuer is at 7, Val Ste-Croix, L-1371 Luxembourg.

The issued shares of the Issuer are held by Dahmer Limited and Liburd Limited (together, the "**Share Trustees**") each under the terms of a declaration of trust (together, the "**Declaration of Trust**") dated 11th June, 2003 under which the Share Trustees hold the shares in High Tide CDO I S.A. on trust for charitable bodies.

The accounting year of the Issuer will run from 1st January to 31st December in each year, save for the first accounting year, which will run from 15th April, 2003 to 31st December, 2003. The annual general meetings of the shareholders of the Issuer will take place on the third Wednesday of May of each year at 10.00 a.m. in the commune of the registered office at the place specified in the notices convening such meetings.

Business

The corporate objects of the Issuer as described in Article 4 of the articles of association are (i) the acquisition, holding and disposal, in any form, by any means, directly or indirectly, of participations, rights and interests in, and obligations of, Luxembourg and foreign companies, (ii) the acquisition by purchase, subscription or in any other manner and the transfer by sale, exchange or in any other manner of stock, bonds, debentures, notes and other securities or financial instruments of any kind and contracts thereon or related thereto and (iii) the ownership, administration, development and management of a portfolio (including among other things the assets referred to in (i) and (ii) above). The Issuer may acquire, hold and dispose of interests, may borrow or lend in any form, may give guarantees or grant security, may enter into any transaction or agreement, may perform any obligation and may generally employ any technique or instrument relating to investments (including the issue of notes on a limited recourse basis) provided it is not inconsistent with the foregoing enumerated objects. In general, the Issuer may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its corporate purposes.

Pursuant to the Trust Deed and the Conditions of the Notes, the business of the Issuer is restricted to issuing the Notes and entering into the Swap Agreement, the Portfolio Management Agreement, the Deposit Account Agreement and certain other agreements incidental thereto.

The assets of the Issuer comprise (i) the rights under the contracts to which the Issuer is a party, including, without limitation, the Trust Deed, the Swap Agreement, the Portfolio Management Agreement, the Portfolio Administration Agreement, the Agency Agreement, the Custody Agreement, the Subscription Agreement, the Account Agreement and the Deposit Account Agreement, (ii) the sum of EUR 31,000 representing the Issuer's paid up share capital and (iii) the sum of EUR 1,000 representing the fee generated in connection with the issue of the Notes.

The only assets of the Issuer available to meet the claims of the Noteholders and other Secured Parties will be the assets which comprise the Mortgaged Property.

Corporate Administration

Luxembourg International Consulting S.A. will act as the Domiciliation Agent to the Issuer. The office of the Domiciliation Agent will serve as the registered office of the Issuer. Pursuant to the terms of the Domiciliation Agreement dated 15th April, 2003 and entered into between the Issuer and the Domiciliation Agent, the Domiciliation Agent will perform in Luxembourg various corporate administration and secretarial functions on behalf of the Issuer, including communication with third parties. In consideration of the foregoing, the Domiciliation Agent will receive various fees payable by the Issuer at rates agreed upon from time to time. The Domiciliation Agreement may be terminated by either the Issuer or the Domiciliation Agent upon 30 days' written notice.

The Domiciliation Agent's principal office is 7, Val Ste-Croix, L-1371 Luxembourg.

Capitalisation and Indebtedness of the Issuer

The authorised share capital of the Issuer is EUR 31,000 divided into 62 ordinary shares of EUR 500 par value each.

The following table sets forth the unaudited capitalisation and indebtedness of the Issuer as at 11th June, 2003 as adjusted to give effect to the issue of the Notes:

Share Capital of the Issuer

Issued Ordinary Share Capital	EUR 31,000
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Indebtedness

EUR 40,500,000 Class A Senior Secured Floating Rate Notes due 2040	EUR 54,500,000
EUR 17,000,000 Class B Senior Secured Floating Rate Notes due 2040	EUR 17,000,000
EUR 29,000,000 Class C Senior Secured Floating Rate Notes due 2040	EUR 29,000,000

Total Capitalisation and Indebtedness of the Issuer	EUR 100,531,000
--	------------------------

Notes:

The authorised and issued share capital of the Issuer is 62 ordinary shares of EUR 500 each and has been fully paid up.

As at the date of this Offering Circular, the Issuer has no loan capital, borrowings, indebtedness or contingent liabilities, except as disclosed herein.

Directors

The Issuer has three directors:

- Mr. Alexis Kamarowsky, company director, whose business address is at L-1371 Luxembourg, 7, Val Sainte-Croix;
- Mr. Federico Cannizzaro, company director, whose business address is at L-1371 Luxembourg, 7, Val Sainte-Croix; and
- Mr. Jean-Marc Debaty, company director, whose business address is at L-1371 Luxembourg, 7, Val Sainte-Croix.

Financial Statements

In accordance with article 75 of the Companies Act, 1915, the Issuer is obliged to publish its annual accounts on an annual basis following the requisite holding of the annual meeting of the shareholders. The Issuer will publish its annual accounts for the first time in 2004, covering the period from the date of incorporation of the Issuer to 31st December, 2003.

Since the date of its incorporation, no financial statements of the Issuer have been prepared. Other than the annual accounts, the Issuer is not currently required to produce, and has no intention of producing, any other financial statements.

Any future published financial statements prepared for the Issuer will be obtainable free of charge from the specified offices of the paying agents in London and Luxembourg.

Auditors

The statutory auditor (*Commissaire aux Comptes*) of the Issuer is Luxembourg International Consulting S.A., whose registered office is at L-1371 Luxembourg, 7, Val Sainte-Croix.

The independent auditor (*réviseur d'entreprises*) of the Issuer is Deloitte & Touche, whose registered office is at L-8009 Strassen, 3, route d'Arlon.

INFORMATION RELATING TO THE DEPOSIT ACCOUNT AGREEMENT

Pursuant to the Deposit Account Agreement, the Issuer shall place the proceeds of the issue of the Notes on deposit in the Deposit Account with the Deposit Account Bank. The Deposit Account Bank is obliged to pay the Issuer interest on the deposit, at the rate of 3-month EURIBOR and a spread of minus 0.125 per cent. per annum. The Deposit Account Agreement will provide that the Deposit Account Bank shall repay all or part of the deposit upon two Business Days' notice from the Issuer.

The Issuer will establish an account with a third party custodian (the "**Deposit Collateral Account**") for the purposes of holding Deposit Collateral delivered to it pursuant to the Deposit Account Agreement.

In the event that the long-term unsecured and unsubordinated debt obligations of the Deposit Account Bank are rated below "A1" by Moody's and/or the short-term unsecured and unsubordinated debt obligations of the Deposit Account Bank are rated below "P-1" or "F1+" by Fitch (the requirement for a rating of "A1", "P-1" and "F1+", the "**Minimum Ratings Requirement**"), the Deposit Account Bank will be obliged under the Deposit Account Agreement, within 15 calendar days of such downgrade, either (i) to transfer Deposit Collateral to the Issuer in accordance with the provisions of the Deposit Account Agreement, or (ii) to transfer, on behalf of the Issuer, the Deposit Account Balance and all interest accrued thereon (or such other amount set out in the Deposit Account Agreement) to such other bank or financial institution which has ratings meeting the Minimum Rating Requirement, and which has agreed to be bound by substantially similar obligations as the Deposit Account Bank under the Deposit Account Agreement.

The Deposit Account Agreement also provides that if the short-term unsecured and unsubordinated debt obligations of the Deposit Account Bank are at any time rated lower than "P-2" by Moody's and/or "F1" by Fitch, the Deposit Account Bank shall, in consultation with the Issuer, within 30 Business Days of such downgrade, transfer, on behalf of the Issuer, the Deposit Account Balance and all interest accrued thereon (or such other amount set out in the Deposit Account Agreement) to such other bank or financial institution, subject to the same requirements as set out in the immediately preceding paragraph.

Failure of the Deposit Account Bank to comply with its obligations in circumstances set out in the above two paragraphs shall constitute a "**Deposit Downgrade Event**" and the amounts standing to the credit of the Deposit Account shall thereupon become immediately due and repayable by the Deposit Account Bank in accordance with the Deposit Account Agreement on the designation of an Account Termination Date (as defined in the Deposit Account Agreement).

If (i) the Deposit Account Bank fails to make a payment when due (or, as the case may be, make a delivery of securities when due) to the Issuer and such default is outstanding after the seventh Local Business Day after notice of such failure is given (a "**Deposit Failure to Pay Event**"), (ii) the Issuer fails to make a payment when due (or, as the case may be, make a delivery of securities when due) to the Deposit Account Bank and such default is outstanding after the seventh Local Business Day after notice of such failure is given (an "**Issuer Failure to Pay Event**"), (iii) a Deposit Downgrade Event occurs, or (iv) the Notes have become due and payable prior to the Scheduled Maturity Date following the occurrence of a Note Event of Default, an Account Termination Date may be designated in accordance with the Deposit Account Agreement.

Upon the designation of an Account Termination Date by the Issuer or the Deposit Account Bank (as the case may be), an amount equal to the aggregate of (i) the liquidation proceeds of such Deposit Collateral (if any) held in the Deposit Collateral Account which has been sold and/or liquidated and (ii) in the event the Portfolio Manager or such third party fails to sell and/or realise such Deposit Collateral (or any part thereof) on the Account Termination Date, the Value (as defined in the Deposit

Account Agreement) of such Deposit Collateral (or any part thereof) which has not been sold or realised, determined as though such Account Termination Date were a Valuation Date (as defined in the Deposit Account Agreement), will be deemed to be an amount due by the Issuer to the Deposit Account Bank and an amount equal to the present value of the aggregate of the Deposit Account Balance on the Account Termination Date and interest thereon which would have been payable on the next interest payment date (as determined in accordance with the Deposit Account Agreement) will be deemed to be due and payable from the Deposit Account Bank to the Issuer.

In addition, upon the designation of an Account Termination Date, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, such obligation shall be replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount (such excess, the "**Net Settlement Amount**").

Each of the Issuer and the Deposit Account Bank may elect to replace the Deposit Account Bank upon at least 10 Business Days' written notice and such termination is conditional upon a replacement Deposit Account Bank being found and such replacement Deposit Account Bank meeting the Minimum Ratings Requirement and agreeing to be bound by substantially similar obligations as the Deposit Account Bank under the Deposit Account Agreement.

The Deposit Account Bank may resign from its appointment by giving at least 30 calendar days' notice provided that such resignation is conditional upon a replacement Deposit Account Bank being found and such replacement Deposit Account Bank meeting the Minimum Ratings Requirement and agreeing to be bound by substantially similar obligations as the Deposit Account Bank under the Deposit Account Agreement.

The Issuer has created first-ranking security pursuant to the Trust Deed over the Deposit Account and the Deposit Collateral Account and its rights under the Deposit Account Agreement, but without prejudice to the contractual netting provisions contained therein, and these form part of the Mortgaged Property in relation to the Notes.

Eligible Securities

The eligibility criteria for the Deposit Collateral are set out below:

- (i) the Deposit Collateral must be an Eligible Security;
- (ii) the Deposit Collateral must be denominated in euro; and
- (iii) the Deposit Collateral must, at the moment of its inclusion, have a Weighted Average Life not exceeding 10 years.

"**Eligible Security**" is cash or any bond, security, note, certificate and/or instrument evidencing indebtedness and falling within one of the following categories:

- (a) cash; or
- (b) Receivables Backed Securities satisfying the Minimum Rating; or
- (c) Sovereign Issue.

"**Minimum Rating**" means, in the case of S&P, "AAA" and, in the case of Moody's, "Aaa" and, in the case of Fitch, "AAA".

"**Receivables Backed Security**" means a floating rate security or any obligation that is evidenced by a certificate that entitles the holder thereof to receive payments that depend primarily on, and are secured upon or derived from, the cash flow from, or the market value of, a specified pool of mortgage receivables or credit card receivables or transactions that synthetically replicate the investment risks of holding a specified pool of mortgage receivables or credit card receivables, that by their terms are expected to generate or convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities. Any derivative, synthetic or similar obligation or agreement pursuant to which an investing party receives an investment return that is based on the return or performance of a Receivables Backed Security as defined in the preceding sentence shall not itself constitute a Receivables Backed Security.

"**Sovereign Issue**" means a bond, security, note, certificate and/or instrument evidencing indebtedness that is issued or guaranteed by a country with a long-term rating of, in the case of Fitch, "AA-" or higher and, in the case of Moody's, "Aa2" or higher and, in the case of S&P, "AA-" or higher.

"**Weighted Average Life**" means, in relation to any Deposit Collateral, the average time to projected occurrence of the principal cashflows of the Deposit Collateral (weighted by the size of such cashflow) as determined by the Valuation Agent (as defined in the Deposit Account Agreement) by reference to Public Information, or in the absence of Public Information, such average time as determined by the Valuation Agent acting in good faith and in a commercially reasonable manner.

The circumstances in which Deposit Collateral that do not satisfy the Deposit Collateral Criteria ("**Non-Compliant Eligible Security**") are to be replaced, Deposit Collateral may be removed and additional Deposit Collateral are to be posted, are set out in the Deposit Account Agreement.

INFORMATION RELATING TO CITIBANK, N.A., LONDON BRANCH

Citibank, N.A. ("**Citibank**") was originally organised on 16th June, 1812, and Citibank now is a national banking association organised under the National Bank Act of 1864 of the United States. Citibank is a wholly-owned subsidiary of Citicorp, a Delaware corporation, and is Citicorp's principal subsidiary. Citicorp is an indirect wholly-owned subsidiary of Citigroup Inc. ("**Citigroup**"), a Delaware holding company. As of 31st December, 2002 the total assets of Citibank and its consolidated subsidiaries represented approximately 69 per cent. of the total assets of Citicorp and its consolidated subsidiaries.

Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

Citibank, N.A., London Branch was registered in the United Kingdom as a foreign company in July 1920. The principal offices of the London Branch are located at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England. The London Branch is primarily regulated by the Financial Services Authority and operated in the United Kingdom as a fully authorised commercial banking institution offering a wide range of corporate banking products.

For further information regarding Citibank, reference should be made to Citicorp's Annual Report on Form 10-K for the year ended 31st December, 2002 and to any subsequent reports on Forms 10-K, 10-Q and 8-K filed by Citicorp with the Securities and Exchange Commission of the United States ("**SEC**"). Copies of such material may be obtained, upon payment of a duplicating fee, by writing to the SEC at 450 Fifth Street, N.W., Washington D.C. 20549. In addition, such reports are available at the SEC Web site (<http://www.sec.gov>).

In addition, Citibank submits quarterly to the Office of the Comptroller of the Currency of the United States (the "**Comptroller**") certain reports called "Consolidated Reports of Condition and Income for a Bank With Domestic and Foreign Offices" ("**Call Reports**"). The Call Reports are on file with and publicly available at the Comptroller's offices at 250 E Street, S.W., Washington, D.C. 20219 and are also available on the Web site of the Federal Deposit Insurance Corporation of the United States (<http://www.fdic.gov>). Each Call Report consists of a Balance Sheet, Income Statement, Changes in Equity Capital and other supporting schedules at the end of and for the period to which the report relates. The Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. While the Call Reports are supervisory and regulatory documents, not primarily accounting documents, and do not provide a complete range of financial disclosure about Citibank, the reports nevertheless provide important information concerning the financial condition and results of operations of Citibank.

The obligations of Citibank, N.A., London Branch under the Swap Agreement will not be guaranteed by Citicorp or Citigroup or by any other affiliate.

Citibank, N.A., London Branch is also the Deposit Account Bank pursuant to the Deposit Account Agreement. As at the date of this Offering Circular, the short-term credit ratings of Citibank, N.A., are "P-1" from Moody's, "F1+" from Fitch and "A-1+" from S&P.

The information in the preceding seven paragraphs has been provided by Citibank for use in this Offering Circular. Except for the foregoing seven paragraphs on this page, Citibank, Citicorp, Citigroup and their affiliates do not accept any other responsibility for this Offering Circular.

INFORMATION RELATING TO THE PORTFOLIO MANAGEMENT AGREEMENT

The following description of the Portfolio Management Agreement consists of a summary of certain provisions of the Portfolio Management Agreement and is qualified by reference to the detailed provisions thereof. The following summary does not purport to be complete and prospective investors must refer to the Portfolio Management Agreement for detailed information regarding the Portfolio Management Agreement.

The Issuer will enter into the Portfolio Management Agreement with, *inter alios*, ZAIS Group Investment Advisors Limited on the Issue Date.

Portfolio Manager

Pursuant to the Portfolio Management Agreement, the Portfolio Manager shall manage the selection and composition of the Reference Portfolio on a day-to-day basis. When selecting the Initial Reference Portfolio or managing the composition of the Reference Portfolio, the Portfolio Manager shall use its reasonable endeavours to ensure that such selection complies with all relevant conditions applicable thereto (as set out under "*Description of the Reference Portfolio*" above).

Compensation, Indemnification and Expenses

As compensation for the performance of its obligations as Portfolio Manager under the Portfolio Management Agreement, the Portfolio Manager shall receive on each Interest Payment Date up to and including the Scheduled Maturity Date, in respect of the preceding Interest Period, a senior management fee (the "**Senior Management Fee**") calculated in arrears with respect to each Interest Payment Date as the aggregate of:

- (i) in respect of the services to be provided in respect of the Reference Portfolio, an amount equivalent to the quotient of (a) the product of (A) 0.10 per cent., (B) the Average Outstanding Notional Amount and (C) the actual number of days in the relevant Interest Period and (b) 360; and
- (ii) in respect of the services to be provided in respect of the Deposit Collateral, an amount equivalent to the quotient of (a) the product of (A) 0.0001 per cent., (B) the Average Deposit Collateral Outstanding Notional Amount and (C) the actual number of days in the relevant Interest Period and (b) 360.

"**Average Outstanding Notional Amount**" (which shall be calculated on the penultimate Business Day of each Interest Period) shall mean, with respect to such Interest Period:

- (a) the sum of the Outstanding Notional Amounts for each calendar day in that Interest Period (for this purpose, deeming the Outstanding Notional Amount on the day of calculation and each day thereafter in the Interest Period to be the same as the Outstanding Notional Amount on the Business Day immediately preceding the day of calculation);

divided by

- (b) the number of calendar days in that Interest Period.

"**Average Deposit Collateral Outstanding Notional Amount**" (which shall be calculated on the penultimate Business Day of each Interest Period) shall mean, with respect to such Interest Period:

- (a) the sum of the outstanding balance in the Deposit Collateral Account for each calendar day in that Interest Period (for this purpose, deeming such outstanding balance on the day of calculation and each day thereafter in the Interest Period to be the same as the outstanding balance on the Business Day immediately preceding the day of calculation);

divided by

- (b) the number of calendar days in that Interest Period.

The Senior Management Fee shall be payable in accordance with the Pre-Enforcement Priority of Payments: Interest Waterfall, the Pre-Enforcement Priority of Payments: Principal Waterfall or the Post-Enforcement Priority of Payments, as applicable. Supplementary fee arrangements may also be agreed by the Portfolio Manager with third parties from time to time.

Without prejudice to any separate expense arrangements which may be entered into by the Portfolio Manager with third parties from time to time, the Portfolio Manager shall be responsible for all of its expenses and liabilities incurred in the course of performing its obligations under the Portfolio Management Agreement, including the expenses and fees of any Affiliate employed by the Portfolio Manager or to whom it delegates any of its duties and functions and, accordingly, shall not be entitled to be indemnified therefor under the Portfolio Management Agreement.

Change of the Portfolio Manager

Resignation

The Portfolio Manager may resign (i) without cause at any time upon giving not less than 90 days' prior written notice to the Issuer, the Trustee, the Swap Counterparty, the Portfolio Administrator and each Rating Agency, (ii) at any time upon giving not less than ten Business Days' prior written notice to the Issuer, the Trustee, the Swap Counterparty and the Portfolio Administrator, where the Issuer is in material breach of any provision of the Portfolio Management Agreement applicable to it and the Issuer fails to cure such breach within 30 days after notice of such failure is given to it or where any of the events referred to in Condition 9(e) has occurred in relation to the Issuer or (iii) at any time upon giving not less than 45 days' prior written notice to the Issuer, the Trustee, the Swap Counterparty and the Portfolio Administrator if, due to a change in applicable law or regulation, the performance by the Portfolio Manager of its duties under the Portfolio Management Agreement would be a violation of such law or regulation.

Removal with Cause

The Portfolio Manager may be removed with cause (in the case of (a) below) forthwith by the Trustee (acting on the directions of the Swap Counterparty) or by the Issuer, or (in the case of (b) and (g) below) upon not less than ten Business Days' prior written notice by the Trustee (acting on the directions of the Swap Counterparty) or by the Issuer, or (in the case of (c) to (f) below) upon not less than 30 Business Days' prior written notice by the Trustee (acting on the joint directions of both (i) the Swap Counterparty and (ii) the holders of the majority in Aggregate Outstanding Principal Amount of all Notes (with all Noteholders voting together as a single class for this purpose)) or by the Issuer, or (in the case of (h) below) automatically and without the need for notice by any party.

For the purposes of the Portfolio Management Agreement, "**cause**" will mean (a) a Suspension Event occurs and is continuing for three months; (b) on any date after the Interest Payment Date falling in May, 2010, the Net Portfolio Value is less than zero; (c) the Portfolio Manager wilfully breaches, or takes any action which it knows violates in material respects, any provision of the Portfolio Management Agreement or any terms of the Trust Deed or the Portfolio Administration Agreement

applicable to it; (d) the Portfolio Manager breaches in any material respect any provision of the Portfolio Management Agreement or any terms of the Trust Deed or the Portfolio Administration Agreement applicable to it and fails to cure such breach within 30 days after the earlier to occur of (x) notice of such failure being given to the Portfolio Manager and (y) the Portfolio Manager giving notice to the Issuer and the Trustee that it has actual knowledge of such breach; (e) certain events of bankruptcy or insolvency with respect to the Portfolio Manager; (f) the occurrence of an act by the Portfolio Manager that constitutes wilful misconduct or gross negligence in the performance of its obligations under the Portfolio Management Agreement; (g) the departure of certain key individuals from either the Portfolio Manager or an affiliate of the Portfolio Manager actively involved in the management of the Reference Portfolio; or (h) the occurrence of an act by the Portfolio Manager that constitutes fraud or criminal activity in the performance of its obligations under the Portfolio Management Agreement or the Portfolio Manager being indicted for a criminal offence materially related to its primary business.

"**Net Portfolio Value**" means, at any time, the difference (whether positive or negative) between:

- (i) the sum of (a) the projected liquidation Clean Price of a portfolio of assets the composition of which exactly matches the Reference Portfolio (such projection to be made in accordance with the terms of the Portfolio Management Agreement) and (b) the Loss Threshold; and
- (ii) the sum of (a) the Aggregate Loss and (b) the Outstanding Notional Amount.

"**Clean Price**" means, in connection with the sale of an asset on a certain date, the total liquidation proceeds that would result from such sale but excluding the portion representing accrued interest.

Removal without Cause

The Portfolio Manager may be removed without cause upon not less than 90 days' prior written notice by the Trustee (acting on the joint directions of both (i) the Swap Counterparty and (ii) the holders of at least $66\frac{2}{3}$ per cent. of the Aggregate Outstanding Principal Amount of all Notes, with all Noteholders voting together as a single class for this purpose) or by the Issuer.

Replacement Portfolio Manager

Notwithstanding anything to the contrary above but subject to the immediately following paragraph, no removal or resignation of the Portfolio Manager will be effective unless (a) a successor Portfolio Manager (the "**Replacement Portfolio Manager**") has been appointed by the Issuer (which shall use its reasonable endeavours to appoint such a Replacement Portfolio Manager as soon as reasonably practicable, after having received and considered any advice or proposals tendered by the Swap Counterparty and/or the Trustee as to the appointment of the Replacement Portfolio Manager), (b) confirmation has been received from each of the Rating Agencies that its ratings of the Notes will not be adversely affected thereby, (c) the Replacement Portfolio Manager has agreed in writing to assume all of the Portfolio Manager's duties and obligations under the Portfolio Management Agreement and (d) all necessary regulatory consents and approvals have been obtained.

In the case of removal of the Portfolio Manager pursuant to item (a), (b), (f), (g) or (h) of the definition of "cause" above, such removal will be effective notwithstanding that no Replacement Portfolio Manager has been appointed. Following the removal of the Portfolio Manager pursuant to item (a), (b) or (g) above, the Issuer shall not appoint a Replacement Portfolio Manager and the Swap Counterparty may effect a Removal (but shall not be entitled to effect any Replenishment) on any Business Day pursuant to, and in accordance with, the Swap Agreement. Following the removal of the Portfolio Manager pursuant to item (f) or (h) above, the Issuer shall use its reasonable endeavours to appoint a Replacement Portfolio Manager as soon as reasonably practicable, after having received

and considered any advice or proposals tendered by the Swap Counterparty and/or the Trustee as to the appointment of the Replacement Portfolio Manager.

Assignment by Portfolio Manager

The Portfolio Manager may not assign or transfer any of its rights, interests or obligations under the Portfolio Management Agreement unless (a) in the case of any assignment or transfer of all (and not part only) of the Portfolio Manager's rights, interests and obligations to a third party which is not its Affiliate, (i) such assignment is consented to in writing by each of the Issuer and the Trustee (acting on the directions of the Swap Counterparty), (ii) each Rating Agency confirms in writing that such assignment or transfer will not result in a reduction or withdrawal of any of its then current ratings of any of the Notes then outstanding and (iii) the assignee or transferee agrees in writing to assume all of the Portfolio Manager's duties and obligations under the Portfolio Management Agreement; or (b) the Portfolio Manager assigns or transfers all (and not part only) of its rights, interests and obligations thereunder (without thereby being relieved of any of its duties or obligations) to an Affiliate. In addition, the Portfolio Manager may, pursuant to the Portfolio Management Agreement, enter into arrangements pursuant to which its Affiliates or third parties may perform certain services on behalf of the Portfolio Manager, but such arrangements including, for the avoidance of doubt, delegation of any rights, duties and responsibilities shall not relieve the Portfolio Manager from any of its duties or obligations thereunder.

INFORMATION RELATING TO THE PORTFOLIO MANAGER

The information appearing in this section has been prepared by the Portfolio Manager, and has not been independently verified by the Issuer or the Initial Purchaser. Accordingly, notwithstanding anything to the contrary herein, neither the Issuer nor the Initial Purchaser assumes any responsibility for the accuracy, completeness or applicability of such information. The Portfolio Manager accepts responsibility for the information provided in this section.

ZAIS Group Investment Advisors Limited

ZAIS Group Investment Advisors Limited (the "**Portfolio Manager**" or "**ZAIS**") was incorporated as an Irish limited liability company on 9th November, 2001. It is a wholly-owned subsidiary of ZAIS Group, LLC ("**ZAIS US**" and together with ZAIS, the "**ZAIS Group**") and operates from its offices in Dublin, Ireland. ZAIS is authorised to operate as an Investment Manager under the Investment Intermediaries Act, 1995 by the Central Bank of Ireland.

The ZAIS Group offers investment advisory and asset management services to institutional clients. The ZAIS Group specialises in global fixed income markets with emphasis on the structured finance segment. ZAIS has primary responsibility for investment and monitoring of European structured finance within the ZAIS Group.

As of December 2002, the ZAIS Group had approximately U.S.\$3.7 billion under management invested in collateral debt obligations and structured finance securities. In addition, the ZAIS Group periodically advised some of its clients on specific trading situations, particularly with reference to collateral debt obligations and structured finance securities. It has invested heavily in a proprietary analytical software system which has been expanded and adapted to cover European asset backed securities including collateral debt obligations, residential mortgage backed securities and commercial mortgage backed securities. ZAIS Group's systems are interconnected by means of an international broadband connection which will allow the Portfolio Manager to have real time access to ZAIS Group's proprietary analytical software system.

ZAIS US was founded in July 1997 by Christian M. Zugel, who remains its President and largest equity owner. ZAIS US is registered with the U.S. Securities and Exchange Commission as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended.

Biographies

Summaries of the backgrounds and experience of ZAIS Group Investment Advisors Limited personnel are included below, although such person may not necessarily continue to be employed by the Portfolio Manager during the entire term of the Portfolio Management Agreement or if so employed remain responsible for the performance of the Portfolio Manager's obligations under the Portfolio Management Agreement.

John O'Grady Walshe, Managing Director

Prior to joining ZAIS in October of 2001, Mr. O'Grady Walshe was responsible for the asset-backed investment portfolio of Bankgesellschaft Berlin AG. Before 1999, he founded and ran the banking department of Bankgesellschaft Berlin (Ireland) plc. Mr. O'Grady Walshe has been an investor in the asset backed security markets since 1993. He has extensive experience in all major asset backed security sectors including collateral debt obligations, residential mortgage backed securities, commercial mortgage backed securities and consumer finance and trade receivables. Prior to 1990, Mr. O'Grady Walshe spent seven years with KPMG in Ireland and the US. He is a business graduate of University College Dublin and a Fellow of the Institute of Chartered Accountants.

Christian Zügel, Chairman

Prior to founding ZAIS US in 1997, Mr Zügel was a senior executive with JPMorgan. He held a number of posts including head of high-yield and distressed debt proprietary trading; head of relative value trading based in New York; head of Asian proprietary trading based in Singapore; and general manager of JPMorgan Singapore. Mr Zügel also served on the Asia Pacific management-wide and firm-wide market risk committees. He is a graduate of the University of Manhattan.

James Hart, Portfolio Management

Prior to joining ZAIS in May 2002, Mr. Hart was senior manager at Bankgesellschaft Berlin (Ireland) plc responsible for asset backed security investments and repackaging. Prior to this, Mr. Hart worked in Fortis Bank in Dublin and Singer & Friedlander in London. He is a graduate of Trinity College, Dublin and a Member of the Securities Institute.

Mirja Wenski, Portfolio Management

Prior to joining ZAIS in January 2002, Mrs. Wenski was deputy head of investments at Bankgesellschaft Berlin AG. Mrs. Wenski was also central to the structuring of trade receivables transactions as well as the repackaging of asset backed securities. She is a graduate of the University for Applied Science, Wiesbaden.

Rachida Chati, Research & Portfolio Management

Prior to joining ZAIS in October 2002, Ms. Chati was a specialised Finance Consultant with Investec (Ireland) Ltd, a subsidiary of Investec Bank Group. Prior to this, Ms. Chati worked in the Actuarial Corporate Dept. of Eagle Star Life Assurance Co. She holds a Bachelor degree in applied mathematics and economics from the University of Paris Saint Maur, a Masters Degree (Maitrise) in Applied Mathematics and Economics from University of Sorbonne (Paris) and a Masters of Business Studies from the University College Dublin Graduate Business School.

Paula Anderton, Quantitative Research/Analysis

Ms. Anderton joined ZAIS in January 2002. Ms. Anderton is an Economics and Mathematics (1st Hons.) graduate of University College Dublin and holds a Masters of Business Studies – Quantitative Finance (Hons) from the Smurfit Graduate Business School.

The Portfolio Manager will draw on the expertise within ZAIS US in analysing and monitoring its exposures:

Gene Kilgore, Structured Research

Prior to joining ZAIS US in 2001, Mr. Kilgore structured proprietary collateral debt obligation cash-flow and synthetic transactions for Barclays Capital. Before his stint at Barclays Capital in 2000, Mr. Kilgore was a director at Standard & Poor's, where he rated collateral debt obligation transactions and commercial mortgage backed securities for four years. Mr. Kilgore also spent 6 years at Wachovia Bank in corporate and commercial real estate lending. Mr. Kilgore earned a M.S. degree from the Massachusetts Institute of Technology, an M.B.A. from Emory University and B.S. degree from the University of Tennessee at Chattanooga.

Christian Behring, Portfolio Management

Prior to joining ZAIS US in March, 1999, Mr. Behring worked for Salomon Brothers KAG in Frankfurt, Germany and KPMG in Frankfurt, Germany. Mr. Behring has been the primary portfolio manager responsible for ABS Invest, a Luxembourg domiciled unleveraged asset backed security fund since its inception. Mr. Behring attended the University of Karlsruhe and the University of Amsterdam and holds a masters degree in financial engineering, actuarial science and operations research.

Jerry C. Hong, Portfolio Management

Prior to joining ZAIS in July of 1998, Mr. Hong traded and risk-managed both G7 vanilla and exotic currency options for Merrill Lynch. Before 1996, Mr. Hong traded both the G7 and cross-currency options portfolios for Citibank NYK. Mr. Hong earned a B.A. from the University of Massachusetts in Finance.

Denise A. Crowley, Portfolio Management

Prior to joining ZAIS Group in 1997, Ms. Crowley worked at JP Morgan for two years in the High Yield Trading group. Prior to JP Morgan, she was a student and worked for Hon. Daniel P. Moynihan as an economic research analyst. Ms. Crowley has a BA from Boston College and MBA from New York University's Stern School of Business.

Noorul Islam, Quantitative Research/Analysis

Prior to joining ZAIS Group in January 2003, Mr. Islam was a member of the Risk Management and Regulatory Practice of Ernst and Young LLP, where he led the quantitative efforts in credit risk, including development of cash flow simulation models to analyze structured securities, and SPV's trading credit derivatives. Mr. Islam earned a B.A. in Physics from Middlebury College in 1993, and a Ph.D. in Physics from Johns Hopkins University in 2000.

The Portfolio Manager will also share some risk-control regimes:

Clodagh Delany, Mid-office and Risk Controlling

Prior to joining ZAIS in November 2002, Ms. Delany was a senior business analyst with Cognotec Limited. Prior to this, Ms. Delany worked for five years as a product consultant with Kindle Banking Systems. Prior to that she worked for ABN AMRO Bank Dublin. Ms. Delany holds a Bachelor of Commerce degree from University College Dublin and a Master of Business Studies in Banking and Finance from the Michael Smurfit Graduate School of Business.

Samantha Eckstein, Mid-office and Risk Controlling

Prior to joining ZAIS US in May 2001, Ms. Eckstein worked as a financial analyst for Udata Capital, Inc., where she specialised in mergers and acquisitions of technology companies. She was recruited from Capital Reinsurance (which has since been acquired by Ace Ltd.) as an investment accountant. Prior to that Ms. Eckstein worked for Goldman Sachs and Co. as an analyst in the equities division. Ms. Eckstein graduated from Bernard Baruch College with a BBA in Management.

Ann O'Dowd, Financial Controlling

Prior to joining ZAIS US in December 2000, Ms. O'Dowd worked in the controllers division of Drexel, Burnham, Lambert, and the internal audit department of Salomon Brothers. Prior to that, she

was an auditor for Price Waterhouse. She is a CPA with a B.S. in accounting from St. Francis College.

TAXATION

Grand Duchy of Luxembourg Taxation

The following information is of a general nature only and is based on the laws presently in force in Luxembourg. It does not purport to be a comprehensive description of all tax implications that might be relevant to an investment decision. Holders of Notes who are in doubt as to their tax position should consult a professional tax adviser.

Withholding tax

There is no Luxembourg withholding tax on payments of principal or interest, nor on accrued but unpaid interest, in respect of the Notes. No Luxembourg withholding tax is payable upon the redemption of the Notes.

Income tax

Interest paid on Notes is not subject to Luxembourg tax if paid to non-resident holders who do not have a permanent establishment or a fixed place of business in Luxembourg. Capital gains realised by non-resident holders of Notes who do not have a permanent establishment or a fixed place of business in Luxembourg are not subject to any tax in Luxembourg.

Corporate holders of Notes who are resident in Luxembourg for tax purposes (except (i) holding companies governed by the law of 31st July, 1929 and (ii) undertakings for collective investments which are not subject to Luxembourg corporation taxes and wealth tax) and non-resident corporate holders of Notes who have a permanent establishment in Luxembourg to which the Notes are attributable, are subject to corporation taxes in Luxembourg on any interest received or accrued and on any gains realised upon the sale, repurchase or redemption of the Notes.

Individual holders of Notes who are resident in Luxembourg for tax purposes and who act in the course of the management of their private wealth, are subject to income tax in Luxembourg in respect of interest received under the Notes. Gains realised by individual holders of Notes who are resident in Luxembourg for tax purposes and who act in the course of the management of their private wealth, are not subject to Luxembourg income tax upon the sale, repurchase or redemption of Notes if the Notes have been held for a period of at least six months (the portion of the gain corresponding to accrued but unpaid interest has however to be included in the taxable income).

Wealth tax

Holders of Notes who are residents of Luxembourg for tax purposes or who have a permanent establishment or a fixed place of business in Luxembourg, to which the Notes are attributable, have to take into account the Notes for purposes of the Luxembourg wealth tax.

Other taxes

No stamp, value added, issue, registration, transfer taxes or similar taxes or duties will be payable in Luxembourg by holders of Notes in connection with the issue or the transfer of the Notes.

In the case a holder of Notes who is a resident in Luxembourg for tax purposes at the time of his death, the Notes are included in his taxable estate for inheritance tax purposes and gift tax may be due on a gift or donation of Notes.

Taxation in relation to the Notes

All payments in respect of the Notes will be made subject to deduction for or on account of any withholding taxes, and except as mentioned in Condition 7(e) (*Redemption - Redemption for taxation reasons*), there will be no obligation on the Issuer to gross-up.

Proposed EU Savings Directive

On 3rd June, 2003, the European Council of Economics and Finance Ministers ("**ECOFIN**") agreed on proposals under which Member States will be required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. Austria, Belgium and Luxembourg will instead apply a withholding system for a transitional period in relation to such payments. In particular, these Member States shall apply a withholding at a rate of 15 per cent. at the beginning of the transitional period and up to a rate of 35 per cent. by the end of that period. Additionally, it was agreed that the adoption of the proposals by the European Union would require certain other non-Member States to adopt a similar withholding system in relation to such payments. ECOFIN announced that the proposals were to take effect from 1st January, 2004 although it is understood that the proposals may now take effect from 1st January, 2005, subject to certain conditions being satisfied before 30th June, 2004.

SUBSCRIPTION AND SALE

The Initial Purchaser has, in a subscription agreement (the "**Subscription Agreement**") dated 11th June, 2003, agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Class A Notes, the Class B Notes and the Class C Notes, in each case at an issue price of 100 per cent. of their respective Initial Principal Amounts. In addition, the Issuer has agreed to indemnify the Initial Purchaser for certain of its liabilities in connection with the issue of the Notes. The Subscription Agreement entitles the Initial Purchaser to terminate such agreement in certain circumstances prior to payment being made to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Initial Purchaser has represented and agreed that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the Initial Purchaser, of all the Notes, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 903 of Regulation S under the Securities Act. The Initial Purchaser has further agreed that it will send to each dealer to which it sells any Notes during the 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of the Notes, an offer or sale of such Notes within the United States by any 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 an available exemption from registration under the Securities Act.

United Kingdom

The Initial Purchaser has represented and agreed that:

- (a) it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date, will not offer or sell, any of the Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (b) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

- (c) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Grand Duchy of Luxembourg

The Notes may not be offered or sold to the public in or from the Grand Duchy of Luxembourg, directly or indirectly, and neither this offering circular nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in, or from or published in, the Grand Duchy of Luxembourg, except for the sole purpose of the listing of the Notes on the Luxembourg Stock Exchange and except in circumstances which do not constitute a public offer of securities.

General

The Initial Purchaser has represented and agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular or any supplement hereto and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and the Issuer shall not have any responsibility therefor.

Neither the Issuer nor the Initial Purchaser represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

1. Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of Notes has been duly authorised by resolutions of the Board of Directors of the Issuer dated 10th June, 2003.

2. Significant or Material Change

The Issuer has not commenced operations. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer since the date on which it was incorporated and there has been no material adverse change in the financial position or prospects of the Issuer since that date.

Save as described in this Offering Circular, there has been no material adverse change and no significant new matter has arisen in respect of and relating to the Issuer since its incorporation on 15th April, 2003.

3. Litigation

There are no, nor have there been any, legal or arbitration 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 their incorporation a significant effect on the financial position of the Issuer.

4. Financial Statements

In accordance with article 75 of the Luxembourg Companies Act 1915, the Issuer is obliged to publish its accounts on an annual basis following the requisite holding of the annual meeting of its shareholders. The Issuer will publish its annual accounts for the first time in 2004, covering the period from 15th April, 2003 to 31st December, 2003.

So long as any Note remains outstanding, the annual accounts of the Issuer will be obtainable during normal business hours free of charge from the specified office of the Paying Agents in London and Luxembourg, as described at the end of this Offering Circular. The Issuer does not prepare interim financial statements and does not intend to produce interim financial statements in the future. However, if interim financial statements are prepared by the Issuer, such interim financial statements will be obtainable during normal business hours free of charge from the specified office of the Paying Agents in London and Luxembourg, as described at the end of this Offering Circular.

As at the date of this Offering Circular, no financial statements have been prepared for the Issuer. Other than annual accounts, the Issuer is not currently required to produce, and has no intention of producing, any other financial statements.

The Trust Deed requires the Issuer to provide to the Trustee on an annual basis a certificate to the effect that as at a date not more than seven days before such certificate there did not exist any Note Event of Default or any other matter which is required to be brought to the Trustee's attention.

5. Certificates

The Trust Deed provides that the Trustee may rely on certificates or reports from the auditors or any other expert or other person in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and the auditors or any other expert or other person in connection therewith contains limits on the liability of the auditors or any other expert or other person.

6. Listing of Notes on the Luxembourg Stock Exchange

Prior to the listing of the Notes on the Luxembourg Stock Exchange, a legal notice (*notice légale*) relating to the issue of the Notes and copies of the articles of incorporation of the Issuer will have been lodged with the Luxembourg trade and companies register (*registre de commerce et des sociétés de Luxembourg*) in accordance with articles 33 and 80 of the Companies Act 1915, where such documents may be examined and copies obtained. To the extent required by Luxembourg law, documents subject to publication in accordance with article 9 of the Companies Act 1915 will be published in the Luxembourg official gazette (*Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations*). The Articles of Incorporation of the Issuer were lodged with the Luxembourg trade and companies register on 28th April, 2003 and published in the Luxembourg official gazette (*Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations*) under number C.493, page 23,651 on 7th May, 2003.

7. Documents Available

From the date hereof and for so long as any Notes are outstanding, copies of the following documents (in English) can be obtained (and, in the case of the documents described in (q) and (r) below, for collection free of charge) during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the specified office of each of the Paying Agents for the time being in London and Luxembourg and the registered office of the Issuer:

- (a) a copy of this Offering Circular;
- (b) the articles of incorporation of the Issuer;
- (c) the Trust Deed;
- (d) the Subscription Agreement;
- (e) the Agency Agreement;
- (f) the Deposit Account Agreement;
- (g) the Account Agreement;
- (h) the Custody Agreement;
- (i) the Portfolio Management Agreement;
- (j) the Portfolio Administration Agreement;
- (k) the 1992 ISDA Master Agreement (Multicurrency - Cross Border);

- (l) the Schedule to the CDS Master Agreement;
- (m) the 2000 ISDA Definitions;
- (n) the Swap Confirmation;
- (o) each Portfolio Report;
- (p) notices of each Interest Payment Date, Base Rate, Spread and Interest Amount;
- (q) each Notice of Loss Amount Calculation;
- (r) each Loss Allocation Notice; and
- (s) Citibank's Form 10-K for the year ended 31st December, 2002 and any subsequent reports on Forms 10-K, 10-Q and 8-K filed by Citicorp with the SEC and each subsequent Call Report submitted to the Office of the Comptroller of the Currency of the United States.

8. Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg as follows:

	ISIN	Common Code
Class A Notes	XS 0169669081	016966908
Class B Notes	XS 0169669164	016966916
Class C Notes	XS 0169669248	016966924

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