

(D) such Unscheduled Principal Payments and Sale Proceeds of Credit Risk Obligations are reinvested by the last Business Day of the Due Period following the Due Period in which such amounts were received;

(E) the S&P rating of the purchased Collateral Obligation is no lower than the S&P rating of the Collateral Obligation that was prepaid or the Credit Risk Obligation that was sold;

(F) the purchase price of the purchased Collateral Obligation is no lower than 60% of its par amount;

(G) no Event of Default has occurred and is continuing;

(H) each Collateral Quality Test is satisfied, except that if the Diversity Test or the S&P CDO Monitor Test is not satisfied, it is maintained or improved;

(I) the Effective Date Overcollateralization Ratio is satisfied; and

(J) the Aggregate Principal Balance of Caa Collateral Obligations does not exceed 7.5% of the Portfolio Principal Balance.

For purposes of calculating compliance with the Reinvestment Requirements and certain requirements with respect to sales of Appreciated Obligations and Discretionary Sales during the Reinvestment Period, each proposed investment will be calculated on a *pro forma* basis after giving effect to all sales and purchases, based on outstanding Issuer orders, confirmations or executed assignments; *provided*, that such requirements need not be satisfied with respect to one single reinvestment if they are satisfied on an aggregate basis for a series of reinvestments occurring within a two Business Days period so long as (i) the Investment Manager identifies to the Trustee the sales and purchases (the "identified reinvestments") subject to this proviso; (ii) only one series of identified reinvestments is identified on any day; (iii) the Aggregate Principal Amount of such identified purchases does not exceed 5% of the Aggregate Principal Balance of the Collateral Obligations, (iv) the Investment Manager reasonably believes that the Reinvestment Requirements will be satisfied on an aggregate basis for such identified reinvestments and (v) if the Reinvestment Requirements are not satisfied with respect to any such identified reinvestment, notice will be provided to each Rating Agency and the Issuer shall get Rating Agency Confirmation from S&P for each subsequent reliance on this proviso until a subsequent use of this proviso (for which Rating Agency Confirmation from S&P was obtained) is successfully completed.

The Coverage Tests. The Coverage Tests will include an interest coverage test and an overcollateralization test with respect to each Class of Rated Notes. The Coverage Tests will be used primarily to determine whether and to what extent Interest Proceeds may be used to pay interest on any Deferrable Class and distributions on the Subordinated Securities and certain expenses (including the Subordinated Investment Management Fee), and whether Principal Proceeds may be reinvested in Collateral Obligations, or whether Principal Proceeds, Interest Proceeds and funds which would otherwise be used to pay interest on any Deferrable Class and distributions on the Subordinated Securities, and to pay certain expenses (including the Subordinated Investment Management Fee) must instead be used to pay principal on the Rated Notes, to the extent necessary to cause the Coverage Tests to be met.

The Collateral Quality Tests. The "Collateral Quality Tests" will be used primarily as the criteria for purchasing Collateral Obligations. The Collateral Quality Tests will consist of the "Diversity Test," the "Weighted Average Rating Factor Test," the "Minimum Weighted Average Spread Test," the "Weighted Average Recovery Rate Test," the "Weighted Average Life Test," and from and after the date on which the Investment Manager and the Collateral Administrator receive from S&P the S&P CDO Monitor, the S&P CDO Monitor Test. Measurement of the degree of compliance with the Collateral Quality Tests will be required as of each Measurement Date.

Securities Lending

The Investment Manager may from time to time, so long as no Event of Default has occurred and is continuing, instruct the Trustee to lend Collateral Obligations to a Securities Lending Counterparty. The number of different Securities Lending Counterparties when added to the number of Hedge Counterparties and Selling Institutions currently involved in transactions with the Issuer, may not exceed 15.