

IMPORTANT NOTICE

Attached is an electronic copy of the Offering Circular (the "Offering Circular"), dated January 17, 2007, relating to the contemplated offering by (i) Clear Lake CLO, Ltd. (the "Issuer") and Clear Lake CLO, Corp. (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers") of Class A-1 Floating Rate Senior Notes, Class A-2 Floating Rate Senior Notes, Class B Floating Rate Deferrable Senior Subordinate Notes and Class C Floating Rate Deferrable Senior Subordinate Notes and (ii) the Issuer of Class D Floating Rate Deferrable Subordinate Notes and Income Notes.

No registration statement relating to these securities has been or will be filed with the U.S. Securities and Exchange Commission. These securities will be offered pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933, as amended. This Offering Circular does not constitute an offer to sell these securities or a solicitation of an offer to buy these securities, nor will there be any sale of these securities in any jurisdiction where such offer, solicitation or sale is not permitted.

Distribution of this electronic transmission of the Offering Circular to any person other than (a) the person receiving this electronic transmission from the initial purchaser and/or placement agent on behalf of the Issuer or the Co-Issuers and (b) any person retained to advise the person receiving this electronic transmission with respect to the offering contemplated by this Offering Circular (each, an "Authorized Recipient") is unauthorized, provided that each recipient of this electronic transmission from the initial purchaser and/or placement agent (and each employee, representative, or other agent of the recipient) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to the recipient relating to such tax treatment and tax structure. Except as provided in the preceding sentence, any photocopying, disclosure or alteration of the contents of this Offering Circular, and any forwarding of a copy of this Offering Circular or any portion thereof by electronic mail or any other means to any person other than an Authorized Recipient, is prohibited.

By accepting delivery of this Offering Circular, each recipient hereof agrees to the foregoing.

OFFERING CIRCULAR

Clear Lake CLO, Ltd. Clear Lake CLO, Corp.

U.S. \$343,000,000 Class A-1 Floating Rate Senior Notes Due 2020
U.S. \$21,500,000 Class A-2 Floating Rate Senior Notes Due 2020
U.S. \$27,000,000 Class B Floating Rate Deferrable Senior Subordinate Notes Due 2020
U.S. \$20,000,000 Class C Floating Rate Deferrable Senior Subordinate Notes Due 2020
U.S. \$15,500,000 Class D Floating Rate Deferrable Subordinate Notes Due 2020
U.S. \$36,750,000 Income Notes Due 2020

The Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes (collectively, the "Senior Notes") and the Income Notes (together, the "Notes" or the "Securities") are being issued by Clear Lake CLO, Ltd., an exempted company incorporated with limited liability as a special purpose vehicle under the laws of the Cayman Islands (the "Issuer"). The Notes will constitute limited recourse debt obligations of the Issuer. The Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes will be co-issued on a non-recourse basis by Clear Lake CLO, Corp., a newly formed Delaware corporation and a special purpose vehicle (the "Co-Issuer," and together with the Issuer, the "Co-Issuers"). Payments on the Notes will be made in accordance with the Indenture quarterly on the 20th day of March, June, September and December of each year, beginning on and including June 20, 2007 (or if any such day is not a Business Day, the first Business Day thereafter). The Notes are scheduled to mature on the Payment Date in December 2020. The assets of the Issuer that will be pledged to secure the Notes will consist solely of (i) Collateral Obligations and Eligible Investments acquired with the net proceeds from the issuance of the Notes and from time to time thereafter with other amounts received by the Issuer in respect of the Collateral, (ii) funds on deposit in certain accounts established under the Indenture, (iii) the rights of the Issuer under the Indenture, the Collateral Management Agreement and the Collateral Administration Agreement and (iv) certain payments or distributions received in respect of the Collateral Obligations and Eligible Investments (collectively, the "Collateral"). The Collateral will also secure the obligations of the Issuer to the Collateral Manager, the Trustee and the Collateral Administrator.

Jefferies Capital Management, Inc. will act as collateral manager (the "Collateral Manager") on behalf of the Issuer in selecting and managing the Collateral Obligations.

It is a condition to the issuance of the Securities that the Class A-1 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), the Class A-2 Notes be rated at least "Aa2" by Moody's and at least "AA" by Standard & Poor's, the Class B Notes be rated at least "A2" by Moody's and at least "A" by Standard & Poor's, the Class C Notes be rated at least "Baa2" by Moody's and at least "BBB" by Standard & Poor's and the Class D Notes be rated at least "Ba2" by Moody's and at least "BB" by Standard & Poor's. The Income Notes will not be rated.

Application will be made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for this Offering Circular to be approved as a prospectus for purposes of the EU Prospectus Directive in connection with the listing of the Notes. Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trade on its regulated market. There can be no assurance that any such approval will be granted or that any such listing will be obtained or maintained. The issuance and settlement of the Notes on the Closing Date will not be conditioned on such approval or the listing of the Notes on the Irish Stock Exchange.

Investing in the Securities involves risks. See "Risk Factors" beginning on page 6.

The Securities do not represent an interest in or obligations of, and are not insured or guaranteed by, the Collateral Manager, the Initial Purchaser, the Placement Agent, the Trustee, the Collateral Administrator, the Share Trustee, the Administrator or any of their respective Affiliates or any Affiliates of the Co-Issuers.

The Securities have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws, and the Co-Issuers have not registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Senior Notes are being offered in the United States only to Qualified Institutional Buyers that are also Qualified Purchasers. The Income Notes are being offered in the United States only to Qualified Institutional Buyers or Accredited Investors that in either case are also Qualified Purchasers or Knowledgeable Employees. The Securities are being offered to non-U.S. Persons in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"). For a description of certain restrictions on transfers of the Securities, see "*Purchase and Transfer Restrictions*."

Citigroup Global Markets Inc., as Initial Purchaser of the Senior Notes and as Placement Agent for the Income Notes, expects to deliver the Securities to purchasers on or about January 18, 2007.

Citigroup

January 17, 2007

EFTA01092344

You should rely only on the information contained in this Offering Circular. We have not authorized anyone to provide you with different information. We are not, and the Initial Purchaser and Placement Agent are not, making an offer of these Securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this Offering Circular is accurate as of any date other than the date on the front of this Offering Circular.

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NOTICES TO PURCHASERS

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO FLORIDA RESIDENTS

THE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 517.061 OF THE FLORIDA SECURITIES ACT (THE "FLORIDA ACT") AND HAVE NOT BEEN REGISTERED UNDER THE FLORIDA ACT IN THE STATE OF FLORIDA. FLORIDA RESIDENTS WHO ARE NOT "INSTITUTIONAL INVESTORS" DESCRIBED IN SECTION 517.061(7) OF THE FLORIDA ACT HAVE THE RIGHT TO VOID THEIR PURCHASES OF THE SECURITIES WITHOUT PENALTY WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION.

NOTICE TO GEORGIA RESIDENTS

THE SECURITIES HAVE BEEN ISSUED OR SOLD IN RELIANCE ON CODE SECTIONS 10-5-7 AND 10-5-9 OF THE GEORGIA SECURITIES ACT OF 1973, AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER SUCH ACT.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

EACH INITIAL PURCHASER AND PLACEMENT AGENT HAS REPRESENTED AND AGREED THAT: (A) IT HAS ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED AND WILL ONLY COMMUNICATE OR CAUSE TO BE COMMUNICATED AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA")) RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE SECURITIES IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA WOULD NOT, IF THE CO-ISSUERS WERE NOT AN AUTHORISED PERSON, APPLY TO THE CO-ISSUERS; AND (B) IT HAS COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY IT IN RELATION TO THE SECURITIES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

THIS DOCUMENT IS ONLY BEING DISTRIBUTED TO AND IS ONLY DIRECTED AT (I) PERSONS WHO ARE OUTSIDE THE UNITED KINGDOM OR (II) TO INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FSMA (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER") OR (III) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THE SECURITIES ARE ONLY AVAILABLE TO, AND ANY INVITATION, OFFER OR AGREEMENT TO SUBSCRIBE, PURCHASE OR OTHERWISE ACQUIRE SUCH SECURITIES WILL BE ENGAGED IN ONLY WITH, RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS.

NOTICE TO RESIDENTS OF FRANCE

NO PROSPECTUS (INCLUDING ANY AMENDMENT, SUPPLEMENT OR REPLACEMENT THERETO) HAS BEEN PREPARED IN CONNECTION WITH THE OFFERING OF THE SECURITIES THAT HAS BEEN APPROVED BY THE AUTORITÉ DES MARCHÉS FINANCIERS OR BY THE COMPETENT AUTHORITY OF ANOTHER STATE THAT IS A CONTRACTING PARTY TO THE AGREEMENT ON THE EUROPEAN ECONOMIC AREA THAT HAS BEEN RECOGNIZED IN FRANCE; NO SECURITIES HAVE BEEN OFFERED OR SOLD OR WILL BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, TO THE PUBLIC IN FRANCE EXCEPT TO QUALIFIED INVESTORS (INVESTISSEURS QUALIFIÉS) AND/OR TO A LIMITED CIRCLE OF INVESTORS (CERCLE RESTREINT D'INVESTISSEURS) ACTING FOR THEIR OWN ACCOUNT AS DEFINED IN ARTICLE L. 411-2 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER AND APPLICABLE REGULATIONS THEREUNDER; NONE OF THIS OFFERING CIRCULAR OR ANY OTHER MATERIALS RELATED TO THE OFFERING OR INFORMATION CONTAINED THEREIN RELATING TO THE SECURITIES HAS BEEN RELEASED, ISSUED OR DISTRIBUTED TO THE PUBLIC IN FRANCE EXCEPT TO QUALIFIED INVESTORS (INVESTISSEURS QUALIFIÉS) AND/OR TO A LIMITED CIRCLE OF INVESTORS (CERCLE RESTREINT D'INVESTISSEURS) MENTIONED ABOVE; AND THE DIRECT OR INDIRECT RESALE TO THE PUBLIC IN FRANCE OF ANY SECURITIES ACQUIRED BY ANY QUALIFIED INVESTORS (INVESTISSEURS QUALIFIÉS) AND/OR ANY INVESTORS BELONGING TO A LIMITED CIRCLE OF INVESTORS (CERCLE RESTREINT D'INVESTISSEURS) MAY BE MADE ONLY AS PROVIDED BY ARTICLES L. 412-1 AND L. 621-8 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER AND APPLICABLE REGULATIONS THEREUNDER.

NOTICE TO RESIDENTS OF GERMANY

THE SECURITIES MAY ONLY BE ACQUIRED IN ACCORDANCE WITH THE GERMAN INVESTMENT ACT (INVESTMENTGESETZ, THE "INVESTMENT ACT") AND THE GERMAN SECURITIES PROSPECTUS ACT (WERTPAPIERPROSPEKTGESETZ, THE "SECURITIES PROSPECTUS ACT"). THE SECURITIES ARE NOT REGISTERED OR AUTHORIZED FOR DISTRIBUTION UNDER THE INVESTMENT ACT OR THE SECURITIES PROSPECTUS ACT AND ACCORDINGLY MAY NOT BE, AND ARE NOT BEING, OFFERED OR ADVERTISED PUBLICLY OR OFFERED SIMILARLY UNDER THE INVESTMENT ACT OR THE SECURITIES PROSPECTUS ACT. THEREFORE, THIS OFFER IS ONLY BEING MADE TO RECIPIENTS TO WHOM THIS DOCUMENT IS PERSONALLY ADDRESSED AND DOES NOT CONSTITUTE AN OFFER OR ADVERTISEMENT TO THE PUBLIC. ALL PROSPECTIVE INVESTORS ARE URGED TO SEEK INDEPENDENT TAX ADVICE. THE INITIAL PURCHASER AND THE PLACEMENT AGENT DO NOT GIVE TAX ADVICE.

NOTICE TO RESIDENTS OF JAPAN

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES AND EXCHANGE LAW OF JAPAN (THE "SECURITIES AND EXCHANGE LAW") AND EACH OF THE INITIAL PURCHASER AND THE PLACEMENT AGENT HAS AGREED THAT IT WILL NOT OFFER OR SELL ANY SECURITIES, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT IN JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN) OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO A RESIDENT OF JAPAN AND THAT THEREAFTER IT WILL NOT OFFER OR SELL SUCH SECURITIES IN JAPAN OR TO A RESIDENT OF JAPAN EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE SECURITIES AND EXCHANGE LAW AND ANY RELEVANT LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

NOTICE TO THE PUBLIC IN THE CAYMAN ISLANDS

NO INVITATION, WHETHER DIRECTLY OR INDIRECTLY, MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THE SECURITIES. SECTION 194 OF THE COMPANIES LAW (2004 REVISION) OF THE CAYMAN ISLANDS PROVIDES THAT AN EXEMPTED COMPANY (SUCH AS THE ISSUER) THAT IS NOT LISTED ON THE CAYMAN ISLAND STOCK EXCHANGE IS PROHIBITED FROM MAKING ANY INVITATION TO THE PUBLIC IN THE CAYMAN ISLANDS TO

SUBSCRIBE FOR ANY OF ITS SECURITIES. EACH PURCHASER OF THE SECURITIES AGREES THAT NO INVITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THE SECURITIES.

NOTICE TO RESIDENTS OF AUSTRIA

THIS OFFERING CIRCULAR IS CIRCULATED IN AUSTRIA FOR THE SOLE PURPOSE OF PROVIDING INFORMATION ABOUT THE SECURITIES TO A LIMITED NUMBER OF SOPHISTICATED INVESTORS IN AUSTRIA. THIS OFFERING CIRCULAR IS MADE AVAILABLE ON THE CONDITION THAT IT IS SOLELY FOR THE USE OF THE RECIPIENT AS A SOPHISTICATED, POTENTIAL AND INDIVIDUALLY SELECTED INVESTOR AND MAY NOT BE PASSED ON TO ANY OTHER PERSON OR REPRODUCED IN WHOLE OR IN PART. THIS OFFERING CIRCULAR DOES NOT CONSTITUTE A PUBLIC OFFER (ÖFFENTLICHES ANGEBOT) IN AUSTRIA AND MAY NOT BE USED IN CONJUNCTION WITH A PUBLIC OFFERING PURSUANT TO THE CAPITAL MARKET ACT (KAPITALMARKTGESETZ) AND/OR THE INVESTMENT FUND ACT (INVESTMENTFONDSGESETZ) IN AUSTRIA. CONSEQUENTLY, NO PUBLIC OFFERS OR PUBLIC SALES MUST BE MADE IN AUSTRIA IN RESPECT OF THE SECURITIES. THE SECURITIES ARE NOT REGISTERED IN AUSTRIA. IN CASE THE SECURITIES ARE QUALIFIED AS SHARES IN A FOREIGN INVESTMENT FUND WITHIN THE MEANING OF THE INVESTMENT FUND ACT, THEY MIGHT BE SUBJECT TO A LESS FAVOURABLE TAX TREATMENT THAN SHARES IN INVESTMENT FUNDS ESTABLISHED IN AUSTRIA UNDER THE INVESTMENT FUND ACT. ALL PROSPECTIVE INVESTORS ARE URGED TO SEEK INDEPENDENT TAX ADVICE. THE INITIAL PURCHASER, THE PLACEMENT AGENT AND THEIR RESPECTIVE AFFILIATES DO NOT GIVE TAX ADVICE.

ANMERKUNG FÜR EINWOHNER VON ÖSTERREICH

DIESER PROSPEKT WIRD IN ÖSTERREICH NUR ZU DEM ZWECK HERAUSGEGEBEN, UM EINER BESCHRÄNKTEN ANZAHL VON PROFESSIONELLEN MARKTTILNEHMERN IN ÖSTERREICH INFORMATIONEN ÜBER DIE ANGEBOTENEN WERTPAPIERE ZU GEBEN. DIESER PROSPEKT WIRD UNTER DER BEDINGUNG ZUR VERFÜGUNG GESTELLT, DASS DIESER PROSPEKT AUSSCHLIESSLICH VOM EMPFÄNGER ALS EINEM PROFESSIONELLEN POTENTIELLEN UND EINZELN AUSGEWÄHLTEN ANLEGER VERWENDET WIRD UND ER DARF NICHT AN EINE ANDERE PERSON WEITERGELEITET ODER TEILWEISE ODER VOLLSTÄNDIG REPRODUZIERT WERDEN. DIESER PROSPEKT STELLT KEIN ÖFFENTLICHES ANGEBOT IN ÖSTERREICH DAR UND DARF NICHT IN ZUSAMMENHANG MIT EINEM ÖFFENTLICHEN ANGEBOT IN ÖSTERREICH IM SINNE DES KAPITALMARKTGESETZES UND/ODER DES INVESTMENTFONDSGESETZES VERWENDET WERDEN. FOLGLICH DÜRFEN IN ÖSTERREICH KEINE ÖFFENTLICHEN ANGEBOTE ODER VERKÄUFE DER ANGEBOTENEN WERTPAPIERE DURCHGEFÜHRT WERDEN. DIE WERTPAPIERE SIND NICHT IN ÖSTERREICH ZUGELASSEN. SOLLTEN DIE WERTPAPIERE ALS ANTEILE AN EINEM AUSLÄNDISCHEN INVESTMENTFONDS QUALIFIZIERT WERDEN, KÖNNTEN SIE EINER UNGÜNSTIGEREN BESTEUERUNG ALS ANTEILE AN IN ÖSTERREICH GEMÄSS DEM INVESTMENTFONDSGESETZ ERRICHTETEN INVESTMENTFONDS UNTERLIEGEN. ALLE KÜNFTIGEN ANLEGER WERDEN DAHER AUFGEFORDERT, UNABHÄNGIGE STEUERBERATUNG EINZUHOLEN. DER ERSTKÄUFER UND DIE MIT IHM VERBUNDENEN UNTERNEHMEN ERTEILEN KEINE STEUERLICHE BERATUNG.

NOTICE TO RESIDENTS OF AUSTRALIA

ANY OFFER OF SECURITIES, INVITATION TO SUBSCRIBE FOR SECURITIES OR ISSUE OF THE SECURITIES IN AUSTRALIA THAT IS REGULATED BY THE CORPORATIONS LAW MUST CONSTITUTE AN EXCLUDED OFFER, EXCLUDED INVITATION, OR EXCLUDED ISSUE WITHIN THE MEANING GIVEN TO THOSE EXPRESSIONS IN THE CORPORATIONS LAW.

NOTICE TO RESIDENTS OF SPAIN

NEITHER THE SECURITIES NOR THIS OFFERING CIRCULAR HAVE BEEN APPROVED OR REGISTERED IN THE ADMINISTRATIVE REGISTRIES OF THE SPANISH SECURITIES MARKETS COMMISSION (COMISIÓN NACIONAL DEL MERCADO DE VALORES). ACCORDINGLY, THE

SECURITIES MAY NOT BE OFFERED IN SPAIN EXCEPT IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE A PUBLIC OFFER OF SECURITIES IN SPAIN WITHIN THE MEANING OF ARTICLE 30BIS OF THE SPANISH SECURITIES MARKET LAW OF 28 JULY 1988 (LEY 24/1988, DE 28 DE JULIO, DEL MERCADO DE VALORES), AS AMENDED AND RESTATED, AND SUPPLEMENTAL RULES ENACTED THEREUNDER.

NOTICE TO RESIDENTS OF SINGAPORE

THIS OFFERING CIRCULAR HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, THIS OFFERING CIRCULAR OR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH ANY OFFER OF THE SECURITIES OFFERED HEREBY MAY NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN SINGAPORE. THE OFFER OF SECURITIES OFFERED HEREBY OR ANY INVITATION TO SUBSCRIBE FOR OR PURCHASE ANY SUCH SECURITIES (OR ANY ONE OF THEM) MAY NOT BE MADE, DIRECTLY OR INDIRECTLY, IN SINGAPORE, OTHER THAN UNDER CIRCUMSTANCES IN WHICH SUCH OFFER OR SALE DOES NOT CONSTITUTE AN OFFER OR SALE OF THE SECURITIES OFFERED HEREBY TO THE PUBLIC IN SINGAPORE, OR IN WHICH SUCH OFFER OR SALE IS MADE PURSUANT TO SUITABLE EXEMPTIONS APPLICABLE THERETO (SUCH AS BUT NOT LIMITED TO SECTION 274 OR SECTION 275 OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE). NO PERSON WHO RECEIVES A COPY OF THIS OFFERING CIRCULAR UNDER SUCH CIRCUMSTANCES MAY ISSUE, CIRCULATE OR DISTRIBUTE THIS OFFERING CIRCULAR IN SINGAPORE OR MAKE, OR GIVE TO ANY OTHER PERSON, A COPY OF THIS OFFERING CIRCULAR.

NOTICE TO RESIDENTS OF KOREA

THE CO-ISSUERS ARE NOT MAKING ANY REPRESENTATIONS, EXPRESS OR IMPLIED, WITH RESPECT TO THE QUALIFICATION OF THE RECIPIENTS OF THESE MATERIALS FOR THE PURPOSE OF INVESTING IN THE SECURITIES UNDER THE LAWS OF KOREA, INCLUDING AND WITHOUT LIMITATION THE FOREIGN EXCHANGE MANAGEMENT LAW AND REGULATIONS THEREUNDER. THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES AND EXCHANGE LAW OF KOREA AND NONE OF THE SECURITIES MAY BE OFFERED OR SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT PURSUANT TO APPLICABLE LAWS AND REGULATIONS OF KOREA.

STABILIZATION

IN CONNECTION WITH THE ISSUE OF THE SECURITIES, THE INITIAL PURCHASER AND THE PLACEMENT AGENT (THE "STABILIZING MANAGERS") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGERS) MAY OVER-ALLOT SECURITIES; PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF THE SECURITIES ALLOTTED DOES NOT EXCEED 105% OF THE AGGREGATE PRINCIPAL AMOUNT OF THE SECURITIES, OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGERS (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGERS) WILL UNDERTAKE STABILIZATION ACTIONS. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE SECURITIES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SECURITIES.

IMPORTANT INFORMATION

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER RELEVANT JURISDICTION AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED UNLESS AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS AND THE LAWS OF ANY OTHER RELEVANT JURISDICTION IS AVAILABLE. EACH PURCHASER OF THE SECURITIES WILL BE DEEMED TO MAKE OR REQUIRED TO MAKE THE APPROPRIATE PURCHASER REPRESENTATIONS AS DESCRIBED UNDER "*PURCHASE AND TRANSFER RESTRICTIONS*." IN ADDITION, THE SECURITIES WILL BEAR RESTRICTIVE LEGENDS AND WILL BE SUBJECT TO RESTRICTIONS ON TRANSFER AS DESCRIBED HEREIN, INCLUDING THE REQUIREMENT THAT TRANSFERORS OR TRANSFEREES OF SUCH SECURITIES BE DEEMED TO MAKE CERTAIN REPRESENTATIONS OR IN CERTAIN CASES FURNISH REPRESENTATION LETTERS IN THE FORMS PRESCRIBED BY THE INDENTURE. ANY RESALE OR OTHER TRANSFER, OR ATTEMPTED RESALE OR ATTEMPTED OTHER TRANSFER, OF SECURITIES THAT IS NOT MADE IN COMPLIANCE WITH THE APPLICABLE TRANSFER RESTRICTIONS WILL BE TREATED BY THE CO-ISSUERS AND THE TRUSTEE AS NULL AND VOID *AB INITIO*. SEE "*PURCHASE AND TRANSFER RESTRICTIONS*."

THE SECURITIES WILL BE LIMITED RECOURSE DEBT OBLIGATIONS OF THE ISSUER AND THE CLASS A NOTES, CLASS B NOTES AND CLASS C NOTES WILL BE NON-RECOURSE DEBT OBLIGATIONS OF THE CO-ISSUER. PAYMENTS ON THE SECURITIES WILL BE MADE SOLELY FROM AND TO THE EXTENT OF THE AVAILABLE PROCEEDS OF THE COLLATERAL (NET OF CERTAIN AMOUNTS), WHICH WILL BE THE ONLY SOURCE OF PAYMENTS ON THE SECURITIES. THE SECURITIES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE INITIAL PURCHASER, THE PLACEMENT AGENT, THE COLLATERAL MANAGER, THE TRUSTEE, THE COLLATERAL ADMINISTRATOR, THE SHARE TRUSTEE, THE ADMINISTRATOR OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY AFFILIATES OF THE CO-ISSUERS.

AN INVESTMENT IN THE SECURITIES IS NOT SUITABLE FOR ALL INVESTORS AND WILL BE APPROPRIATE ONLY FOR FINANCIALLY SOPHISTICATED INVESTORS CAPABLE OF (i) ANALYZING AND ASSESSING THE RISKS ASSOCIATED WITH COLLATERALIZED DEBT OBLIGATIONS WHERE THE INVESTOR IS TAKING THE CREDIT RISK AND MARKET RISK WITH RESPECT TO A PORTFOLIO OF OBLIGATIONS AND (ii) BEARING SUCH RISKS AND THE FINANCIAL CONSEQUENCES THEREOF AS THEY RELATE TO AN INVESTMENT IN THE SECURITIES. AN INVESTOR IN THE SECURITIES SHOULD HAVE NO NEED FOR LIQUIDITY WITH RESPECT TO ITS INVESTMENT IN THE SECURITIES AND NO NEED TO DISPOSE OF ITS SECURITIES OR ANY PORTION THEREOF TO SATISFY ANY EXISTING OR CONTEMPLATED INDEBTEDNESS OR OBLIGATION OR FOR ANY OTHER PURPOSE.

THE CO-ISSUERS ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR OTHER THAN INFORMATION PROVIDED IN "*THE COLLATERAL MANAGER AND THE COLLATERAL MANAGEMENT AGREEMENT—THE COLLATERAL MANAGER*." TO THE BEST OF THE KNOWLEDGE AND THE BELIEF OF THE CO-ISSUERS, THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

NONE OF THE INITIAL PURCHASER, THE PLACEMENT AGENT, THE COLLATERAL MANAGER, THE TRUSTEE, THE COLLATERAL ADMINISTRATOR, THE SHARE TRUSTEE, THE ADMINISTRATOR OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY AFFILIATES OF THE CO-ISSUERS HAS SEPARATELY VERIFIED THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR, EXCEPT, (i) IN THE CASE OF THE COLLATERAL MANAGER, FOR THE SECTION ENTITLED "*THE COLLATERAL MANAGER AND THE COLLATERAL MANAGEMENT AGREEMENT—THE COLLATERAL MANAGER*" AND (ii) IN THE CASE OF THE INITIAL PURCHASER AND THE PLACEMENT AGENT, FOR THE PORTION OF THE SECTION ENTITLED "*PLAN OF DISTRIBUTION*" DESCRIBING THE INITIAL PURCHASER AND PLACEMENT AGENT. ACCORDINGLY, NO REPRESENTATION,

WARRANTY, OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE, AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED, BY THE INITIAL PURCHASER, THE PLACEMENT AGENT, THE COLLATERAL MANAGER, THE TRUSTEE, THE COLLATERAL ADMINISTRATOR, THE SHARE TRUSTEE, THE ADMINISTRATOR OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY AFFILIATES OF THE CO-ISSUERS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR, EXCEPT AS PROVIDED ABOVE. EACH PERSON RECEIVING THIS OFFERING CIRCULAR ACKNOWLEDGES THAT SUCH PERSON HAS NOT RELIED ON THE INITIAL PURCHASER, THE PLACEMENT AGENT, THE TRUSTEE, THE COLLATERAL MANAGER, THE COLLATERAL ADMINISTRATOR, THE SHARE TRUSTEE, THE ADMINISTRATOR OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY AFFILIATES OF THE CO-ISSUERS IN CONNECTION WITH THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION.

THE SECURITIES ARE BEING OFFERED ONLY TO A LIMITED NUMBER OF INDIVIDUALS AND INSTITUTIONAL INVESTORS THAT ARE WILLING AND ABLE TO CONDUCT AN INDEPENDENT ANALYSIS OF THE CHARACTERISTICS OF THE SECURITIES AND RISKS OF OWNERSHIP OF THE SECURITIES. IT IS EXPECTED THAT PROSPECTIVE PURCHASERS INTERESTED IN PURCHASING SECURITIES IN THIS OFFERING ARE WILLING AND ABLE TO CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS POSED BY AN INVESTMENT IN THE SECURITIES. REPRESENTATIVES OF THE INITIAL PURCHASER AND THE PLACEMENT AGENT WILL BE AVAILABLE TO ANSWER QUESTIONS CONCERNING THE CO-ISSUERS, THE SECURITIES AND THE COLLATERAL AND WILL, UPON REQUEST, MAKE AVAILABLE SUCH OTHER INFORMATION AS PROSPECTIVE PURCHASERS MAY REASONABLY REQUEST.

THIS OFFERING CIRCULAR IS NOT INTENDED TO FURNISH LEGAL, REGULATORY, TAX, ACCOUNTING, INVESTMENT OR OTHER ADVICE TO ANY PROSPECTIVE PURCHASER OF THE SECURITIES. THIS OFFERING CIRCULAR SHOULD BE REVIEWED BY EACH PROSPECTIVE PURCHASER AND ITS LEGAL, REGULATORY, TAX, ACCOUNTING, INVESTMENT AND OTHER ADVISORS. PROSPECTIVE PURCHASERS WHOSE INVESTMENT AUTHORITY IS SUBJECT TO LEGAL OR OTHER RESTRICTIONS SHOULD CONSULT THEIR LEGAL ADVISORS TO DETERMINE WHETHER AND TO WHAT EXTENT THE SECURITIES CONSTITUTE PERMISSIBLE INVESTMENTS FOR THEM.

NO PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS OFFERING CIRCULAR AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CO-ISSUERS, THE INITIAL PURCHASER, THE PLACEMENT AGENT, THE COLLATERAL MANAGER, THE TRUSTEE, THE COLLATERAL ADMINISTRATOR, THE SHARE TRUSTEE, THE ADMINISTRATOR OR ANY AFFILIATES OF THE CO-ISSUERS. THE DELIVERY OF THIS OFFERING CIRCULAR AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO ITS DATE. EXCEPT TO THE EXTENT REQUIRED BY THE LISTING RULES OF THE IRISH STOCK EXCHANGE, THE CO-ISSUERS DISCLAIM ANY OBLIGATION TO UPDATE SUCH INFORMATION.

NO ACTION IS BEING TAKEN OR IS CONTEMPLATED BY THE CO-ISSUERS, THE INITIAL PURCHASER OR THE PLACEMENT AGENT THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES OR POSSESSION OR DISTRIBUTION OF THIS OFFERING CIRCULAR OR ANY AMENDMENT THEREOF OR SUPPLEMENT THERETO OR ANY OTHER OFFERING MATERIAL RELATING TO THE CO-ISSUERS OR THE SECURITIES IN ANY JURISDICTION WHERE, OR IN ANY OTHER CIRCUMSTANCES IN WHICH, ACTION FOR THOSE PURPOSES IS REQUIRED. THE DISTRIBUTION OF THIS OFFERING CIRCULAR AND THE OFFERING OF THE SECURITIES MAY ALSO BE RESTRICTED BY LAW IN CERTAIN JURISDICTIONS. CONSEQUENTLY, NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, (i) ANY SECURITIES OTHER THAN THE SECURITIES OFFERED HEREBY OR (ii) ANY SECURITIES IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER OR SOLICITATION. PERSONS INTO WHOSE POSSESSION THIS OFFERING CIRCULAR COMES ARE REQUIRED BY THE CO-ISSUERS, THE INITIAL PURCHASER AND THE PLACEMENT AGENT TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS. NONE OF THE U.S.

SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES REGULATORY AUTHORITY OR ANY OTHER U.S. REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED THE SECURITIES OR PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NONE OF THE INITIAL PURCHASER, THE PLACEMENT AGENT, THE COLLATERAL MANAGER, THE TRUSTEE, THE COLLATERAL ADMINISTRATOR, THE SHARE TRUSTEE OR THE ADMINISTRATOR ASSUMES ANY RESPONSIBILITY FOR THE PERFORMANCE OF ANY OBLIGATIONS OF THE CO-ISSUERS OR ANY OTHER PERSON DESCRIBED IN THIS OFFERING CIRCULAR OR FOR THE DUE EXECUTION, VALIDITY OR ENFORCEABILITY OF THE SECURITIES, THE INSTRUMENTS OR DOCUMENTS DELIVERED IN CONNECTION WITH THE SECURITIES OR FOR THE VALUE OR VALIDITY OF ANY COLLATERAL (EXCEPT TO THE EXTENT SUCH PERSON IS THE ISSUER THEREOF) OR SECURITY INTERESTS PLEDGED IN CONNECTION THEREWITH.

EXCEPT AS MAY REASONABLY BE NECESSARY TO COMPLY WITH APPLICABLE SECURITIES LAWS, EACH RECIPIENT HEREOF (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF THE RECIPIENT) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME AND STATE AND LOCAL INCOME AND FRANCHISE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTION AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE RECIPIENT RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. FOR THIS PURPOSE "TAX STRUCTURE" IS LIMITED TO FACTS RELEVANT TO THE U.S. FEDERAL INCOME AND STATE AND LOCAL INCOME AND FRANCHISE TAX TREATMENT OF THE OFFERING AND DOES NOT INCLUDE INFORMATION RELATING TO THE IDENTITY OF THE CO-ISSUERS, THE INITIAL PURCHASER, THE PLACEMENT AGENT, THE COLLATERAL MANAGER OR ANY INVESTOR IN THE SECURITIES.

ALL REFERENCES HEREIN TO "U.S. \$," "\$" OR DOLLARS ARE TO UNITED STATES DOLLARS.

AVAILABLE INFORMATION

The Co-Issuers upon request will deliver to the Holders of the Securities, and make available to prospective purchasers designated by a Holder of Securities, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. See *“Description of the Notes—The Indenture and the Collateral Administration Agreement—Reports.”*

Copies of the Indenture, the Issuer’s Articles and the Co-Issuer’s Certificate of Incorporation and By-Laws may be obtained by the Holders of the Notes upon request in writing to the Trustee. Copies of the Indenture will be available at the office of the Paying Agent in Ireland, for so long as any Class of the Notes is listed on the Irish Stock Exchange.

FORWARD LOOKING STATEMENTS

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

Some important factors that could cause actual results to differ materially from those in any forward looking statements include, among others, changes in interest rates, credit spreads, market, financial or legal uncertainties, differences in the actual allocation of the Obligors among categories from those assumed, the timing and the number of Collateral Obligations that become Defaulted Obligations and of purchases and sales of the Collateral and differences in the market value of Collateral Obligations. Consequently, the inclusion of projections herein should not be regarded as a representation by the Co-Issuers, the Initial Purchaser, the Placement Agent, the Trustee, the Collateral Manager, the Collateral Administrator, the Share Trustee, the Administrator or any of their respective affiliates or any other Person of the results that will actually be achieved by the Co-Issuers.

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

CERTAIN LEGAL INVESTMENT CONSIDERATIONS

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

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

CERTAIN CONSIDERATIONS RELATING TO THE CAYMAN ISLANDS

The Issuer is an exempted company incorporated with limited liability under the laws of the Cayman Islands. As a result, it may not be possible for purchasers of the Notes to effect service of process upon the Issuer within the United States or to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. The Issuer has been advised by Walkers, its legal advisor in the Cayman Islands, that the United States and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States securities laws, would therefore not be automatically enforceable in the Cayman Islands, and that there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws. The Issuer will appoint Corporation Service Company, 1133 Avenue of the Americas, Suite 3100, New York, NY 10036 as its agent in New York for service of process.

SUMMARY OF TERMS

The following summary does not purport to be complete and is qualified in its entirety by reference to (i) the detailed information appearing elsewhere in this Offering Circular and (ii) the terms and provisions of the related documents and agreements referred to herein. Certain capitalized terms used but not defined in the following summary are defined elsewhere in this Offering Circular.

<u>Issuer</u>	Clear Lake CLO, Ltd., a Cayman Islands exempted company
<u>Co-Issuer</u>	Clear Lake CLO, Corp., a Delaware corporation
<u>Collateral Manager</u>	Jefferies Capital Management, Inc.
<u>Trustee and Collateral Administrator</u>	Wells Fargo Bank, National Association
<u>Initial Purchaser and Placement Agent</u>	Citigroup Global Markets Inc.
<u>The Senior Notes</u>	<p>The Co-Issuers will co-issue the following Senior Notes:</p> <p>U.S. \$343,000,000 Class A-1 Floating Rate Senior Notes Due 2020 (the “Class A-1 Notes”);</p> <p>U.S. \$21,500,000 Class A-2 Floating Rate Senior Notes Due 2020 (the “Class A-2 Notes”, and together with the Class A-1 Notes, the “Class A Notes”);</p> <p>U.S. \$27,000,000 Class B Floating Rate Deferrable Senior Subordinate Notes Due 2020 (the “Class B Notes”);</p> <p>U.S. \$20,000,000 Class C Floating Rate Deferrable Senior Subordinate Notes Due 2020 (the “Class C Notes”); and</p> <p>U.S. \$15,500,000 Class D Floating Rate Deferrable Subordinate Notes Due 2020 (the “Class D Notes”, and together with the Class A Notes, the Class B Notes and the Class C Notes, the “Senior Notes”);</p> <p>each pursuant to an Indenture, dated as of the Closing Date (the “Indenture”), between the Co-Issuers and Wells Fargo Bank, National Association, as Trustee (the “Trustee”); <i>provided</i> that the Co-Issuer will not co-issue the Class D Notes.</p>
<u>The Income Notes</u>	<p>The Issuer will also issue U.S. \$36,750,000 Income Notes Due 2020 (the “Income Notes”) pursuant to the Indenture. The Holders of the Income Notes will be entitled to receive a <i>pro rata</i> share of all proceeds remaining after payment of the Senior Notes and all other fees and expenses of, and satisfaction of creditors’ claims against, the Issuer in accordance with the Priority of Payments. The Income Notes will not bear interest at a stated rate and are not entitled to the return of a stated principal amount.</p>
<u>Ratings of the Securities</u>	<p>It is a condition to the issuance of the Securities that the Class A-1 Notes be rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s, the Class A-2 Notes be rated at least “Aa2” by Moody’s and at least “AA” by Standard & Poor’s, the Class B Notes be rated at least “A2” by Moody’s and at least “A” by Standard & Poor’s, the Class C Notes be rated at least “Baa2” by Moody’s and at least “BBB” by Standard & Poor’s and the Class D Notes be rated at least “Ba2” by Moody’s and at least “BB” by Standard & Poor’s. Such ratings by S&P represent S&P’s view, in the case of the Class A Notes, as to the likelihood of timely payment of interest and ultimate payment</p>

of principal and, in the case of the Class B Notes, the Class C Notes and the Class D Notes, as to the likelihood of ultimate payment of interest and principal. Such ratings of the Senior Notes by Moody's represent Moody's view as to the ultimate cash receipt of all required payments on each such Senior Note as provided by its governing documents. See "Ratings of the Notes."

The Income Notes will not be rated by Moody's, Standard & Poor's or any other rating agency.

The Co-Issuers will request, within 20 Business Days after the Ramp-Up End Date, that each Rating Agency confirm its ratings of the Senior Notes within 30 Business Days after the Ramp-Up End Date.

Use of Proceeds

The proceeds of the issuance of the Securities, net of any issued discount and after paying or providing for the payment of organizational expenses and the expenses of the issuance of the Securities by funding the Expense Reserve Account, will be approximately U.S. \$10,397,500. Approximately U.S. \$376,000,000 will be used to purchase and/or refinance previously purchased Collateral Obligations on the Closing Date. Approximately U.S. \$74,000,000 will be deposited into the Ramp-Up Account on the Closing Date for the purchase of additional Collateral Obligations before the Ramp-Up End Date. Approximately \$1,400,000 will be deposited into the Revolving Reserve Account on the Closing Date.

The Offering

The Senior Notes are being offered (i) in the United States to "qualified institutional buyers" as defined in Rule 144A under the Securities Act ("Qualified Institutional Buyers") that are also "qualified purchasers" as defined for purposes of Section 3(c)(7) of the Investment Company Act ("Qualified Purchasers") and (ii) outside the United States to non-U.S. Persons in offshore transactions in reliance on Regulation S. The Income Notes are being offered (i) in the United States only to Qualified Institutional Buyers or Accredited Investors that in either case are also Qualified Purchasers or "knowledgeable employees" as defined in Rule 3c-5 under the Investment Company Act ("Knowledgeable Employees") and (ii) outside the United States to non-U.S. Persons in offshore transactions in reliance on Regulation S.

Transfer of the Securities

Transfers of interests in the Securities will be subject to certain restrictions. See "Purchase and Transfer Restrictions."

Payments on the Securities

Each Class of Senior Notes will accrue interest at the per annum rate set forth for such Class in the following table:

	<u>Class A-1 Notes</u>	<u>Class A-2 Notes</u>	<u>Class B Notes</u>	<u>Class C Notes</u>	<u>Class D Notes</u>
Interest Rate:	LIBOR ¹ plus 0.25%	LIBOR ¹ plus 0.38%	LIBOR ¹ plus 0.69%	LIBOR ¹ plus 1.45%	LIBOR ¹ plus 3.75%

¹ LIBOR with respect to the first Periodic Interest Accrual Period will be 5.38046% per annum.

The Income Notes will not bear a stated rate of interest. The Income Notes will be entitled to receive distributions on each Payment Date if and to the extent funds are available for such purpose in accordance with the Priority of Payments. Such distributions will be payable to the Holders of the Income Notes only after payment in full of all of the liabilities of the Issuer that rank ahead of the Income Notes pursuant

to the Priority of Payments. See “*Description of the Notes—Priority of Payments.*” Accordingly, to the extent that payments received in respect of the Collateral are not sufficient to pay distributions with respect to the Income Notes, the Issuer will have no obligation to make any such distribution.

Subject to the availability of funds and the Priority of Payments, interest payments on the Senior Notes and distributions on the Income Notes will be payable quarterly in arrears on the 20th day of March, June, September and December of each year, commencing on and including June 20, 2007 and ending on and including the earlier of the final redemption date for such Securities and the Maturity Date (each, a “Payment Date”). See “*Description of the Notes—Payments.*” Among the Senior Notes, except as otherwise described herein, payments on the Class D Notes will be subordinate to payments on the Class A Notes, the Class B Notes and the Class C Notes, payments on the Class C Notes will be subordinate to payments on the Class A Notes and the Class B Notes, payments on the Class B Notes will be subordinate to payments on the Class A Notes and payments on the Class A-2 Notes will be subordinate to payments on the Class A-1 Notes.

Interest on the Senior Notes will be calculated on the basis of a 360-day year and the actual number of days elapsed in the applicable Periodic Interest Accrual Period. Interest on the Senior Notes will be calculated on the Aggregate Principal Amount thereof.

Interest on the Class B Notes, the Class C Notes and the Class D Notes will only be due and payable to the extent that funds are available for such payment in accordance with the Priority of Payments as described herein, and (except on the Maturity Date or the date of redemption in full of the Class B Notes, the Class C Notes or the Class D Notes) the failure to pay any such interest because such funds are not available will not be an Event of Default under the Indenture so long as any more senior Class of Notes is then Outstanding. Instead, the amount of any interest that is not paid on the Notes of any such Class on any Payment Date will be deferred, and such amounts (“Deferred Interest”) will bear interest at the interest rate for the Notes of such Class.

If any Coverage Test is not satisfied on any Determination Date related to an applicable Payment Date following the Ramp-Up End Date or if the Rating Agencies have not confirmed the initial ratings of the Senior Notes prior to the 30th Business Day following the Ramp-Up End Date (and has not provided such confirmation on or prior to the Determination Date related to the current Payment Date), amounts available at the applicable level of the Priority of Payments will be used to redeem the Senior Notes in accordance with the Priority of Payments to the extent necessary to satisfy such test or cause the Rating Agencies to confirm the initial ratings of the Senior Notes, as applicable, thereby reducing the amounts available for payment at lower levels of the Priority of Payments. See “*Description of the Notes—Mandatory Redemption.*”

Unless previously redeemed, the outstanding principal amount of the Senior Notes, and the final distribution, if any, on the Income Notes will be payable on the Maturity Date of December 20, 2020, or if such date is not a Business Day, the first Business Day thereafter. See “*Description of the Notes—Payments*” and “*—Maturity of the Securities.*”

Except as described above, during the Reinvestment Period, payments of principal on the Notes will not be made, except that the Senior Notes may be redeemed during the Reinvestment Period as a Special Redemption if the Collateral Manager notifies the Trustee that it has been unable, for a period of 20 consecutive Business Days, to identify additional Collateral Obligations, which it deems appropriate in its discretion

and which would meet the reinvestment criteria described herein, in such sufficient amounts to permit the investment or reinvestment of all or a portion of the funds then in the Collection Account (see “*Description of the Notes—Special Redemption*”). Notes may also be redeemed during the Reinvestment Period as described above and as described under “*Description of the Notes—Optional Redemption*.”

Optional Redemption

After the end of the period from the Closing Date to but excluding the Payment Date in December 2010 (the “Non-Call Period”) or at any time upon the occurrence of a Tax Event, the Notes may be redeemed at the direction of the Collateral Manager (with the consent of a Majority of the Income Notes) or at the direction of a Majority of the Income Notes; *provided* that certain conditions are satisfied.

The Coverage Tests

The Coverage Tests are comprised of an overcollateralization test and an interest coverage test for each of the Class A Notes (treated as a single class for this purpose), the Class B Notes, the Class C Notes and the Class D Notes. If a Coverage Test for any such Class is not satisfied as of any Determination Date related to an applicable Payment Date following the Ramp-Up End Date, the amounts available in accordance with the Priority of Payments at the level of the Priority of Payments at which the Coverage Test is applied will be used on such Payment Date to redeem the Senior Notes in accordance with the Priority of Payments to the extent necessary to satisfy such Coverage Tests, thereby reducing amounts available for payments at lower levels of the Priority of Payments. See “*Security for the Notes—The Coverage Tests*.” The failure of the Issuer to satisfy a Coverage Test will not be a Default or an Event of Default under the Indenture.

The Collateral Manager

Jefferies Capital Management, Inc. (“JCM”), as Collateral Manager, will manage the selection and modification of the Collateral on behalf of the Issuer pursuant to a Management Agreement between the Collateral Manager and the Issuer (the “Collateral Management Agreement”). The Indenture and the Collateral Management Agreement place significant restrictions on the Collateral Manager’s ability to purchase or sell Collateral Obligations, and the Collateral Management Agreement will require the Collateral Manager to comply with such restrictions. Accordingly, during certain periods or in certain specified circumstances, the Collateral Manager may be unable to purchase or sell Collateral Obligations or to take other actions that the Collateral Manager might consider in the best interests of the Co-Issuers and the Holders of the Notes. See “*Risk Factors—Certain Conflicts of Interest—Collateral Manager Conflicts of Interest*” and “*The Collateral Manager and the Collateral Management Agreement*.”

Security for the Notes

All assets of the Issuer (except the Excluded Property) (the “Collateral”) will be pledged to secure the obligations of the Issuer to the Trustee and the Collateral Administrator and to secure the obligations of the Issuer under the Securities. Payments in respect of the Securities will be made solely from, and recourse will be limited to, the Collateral in accordance with the Priority of Payments. See “*Description of the Notes—Priority of Payments*.”

The Collateral will consist solely of (i) Collateral Obligations and Eligible Investments acquired with the net proceeds from the issuance of the Securities and from time to time thereafter with other amounts received by the Issuer in respect of the Collateral, (ii) funds on deposit in certain accounts established under the Indenture, (iii) the rights of the Issuer under the Indenture, the Collateral Management Agreement and the Collateral Administration Agreement and (iv) certain payments or distributions received in respect of the Collateral Obligations and Eligible Investments. See “*Security for the Notes—Collateral Obligations*,” “*—The Collateral Quality Test*,” “*—The Portfolio Profile Test*” and “*—Sales and Purchases*”

of Collateral Obligations.”

The “Reinvestment Period” will be the period from and including the Closing Date through the earliest of (i) the Determination Date related to the Payment Date in December 2013, (ii) the date on which the maturity of any Class of Senior Notes is accelerated due to an Event of Default as described under “*Description of the Notes—The Indenture and the Collateral Administration Agreement,*” (iii) the Determination Date related to the Payment Date immediately following the date on which the Collateral Manager determines that it can no longer reinvest in additional Collateral Obligations, (iv) the Determination Date preceding the Optional Redemption Date and (v) if the Requisite Securityholders vote to end the Reinvestment Period following the occurrence of a Key Manager Event, the 90th day after the Ballot for the vote is sent pursuant to the Collateral Management Agreement.

During the Reinvestment Period, the Collateral Manager may cause Collateral Obligations to be purchased and sold as described herein. In certain limited circumstances, Collateral Obligations may be purchased or sold following the Reinvestment Period. See “*Security for the Notes—Sales and Purchases of Collateral Obligations.*”

Tax Considerations

See “*Certain Income Tax Considerations*” herein.

ERISA Considerations

See “*Certain ERISA Considerations*” herein.

RISK FACTORS

Prospective purchasers of the Notes should consider, among other things, the following factors in connection with a purchase of the Notes.

Limited Liquidity. There is currently no active trading market for any of the Notes being offered hereby. Citigroup Global Markets Inc. and its Affiliates will not be obligated to and do not intend to make a market in the Notes or otherwise to buy and sell the Notes following the Closing Date. The Notes are expected to be owned by a relatively small number of investors and it is not anticipated that an active secondary market for the Notes will develop. Purchasers of the Notes may find it difficult or uneconomic to liquidate their investment at any particular time, and it may be difficult for the Holders of the Notes to determine the value of the Notes at any particular time. Consequently, a purchaser must be prepared to hold the Notes until the Maturity Date. In addition, the Notes are subject to transfer restrictions that may further limit liquidity. See “*Purchase and Transfer Restrictions.*” See also “*Certain ERISA Considerations*” regarding certain restrictions on transfers to investors subject to ERISA, Section 4975 of the Code or Similar Laws.

Limited Collateral to Make Payments on the Securities. The Notes will be limited recourse debt obligations of the Issuer and the Class A Notes, Class B Notes and Class C Notes will be non-recourse obligations of the Co-Issuer. The Notes will be payable solely from the Collateral Obligations and the other assets pledged by the Issuer pursuant to the Indenture. None of the Trustee, the Collateral Manager, the Initial Purchaser, the Placement Agent or any of their respective affiliates or any other person or entity other than the Co-Issuers will be obligated to make any payments with respect to the Notes. The Issuer, as a special purpose company, will have no significant assets other than the Collateral. The Co-Issuer, as a special purpose company, will have no significant assets. Consequently, the Holders of the Senior Notes must rely for payment of the debt service on the Senior Notes, and the Holders of the Income Notes must rely for the payment of distributions on the Income Notes, solely upon distributions on the Collateral. Holders of each Class of Securities will only be entitled to receive amounts available for distributions after payment of all amounts payable prior to such Class in accordance with the Priority of Payments set forth in the Indenture. See “*Description of the Notes—Priority of Payments.*” If distributions from the Collateral are insufficient to pay the Senior Notes, no other assets will be available for payment of any deficiency, and none of the Co-Issuers, the Collateral Manager, the Placement Agent, the Initial Purchaser, the Administrator, the Share Trustee, the Trustee or any of their respective Affiliates or any other Person will be obligated to pay any such deficiency, and all outstanding claims against the Co-Issuers will be extinguished and may not be revived thereafter.

Subordination of the Senior Notes. *Subordination of Payment.* Among the Senior Notes, payments on the Class D Notes will be subordinate to payments on the Class A Notes, the Class B Notes and the Class C Notes, payments on the Class C Notes will be subordinate to payments on the Class A Notes and the Class B Notes, payments on the Class B Notes will be subordinate to payments on the Class A Notes and payments on the Class A-2 Notes will be subordinate to payments on the Class A-1 Notes, except as otherwise set forth herein. Furthermore, amounts that would otherwise be available for payments on the Class B Notes, the Class C Notes and the Class D Notes are subject to diversion to pay more senior Classes of Notes pursuant to the Priority of Payments if certain Coverage Tests are not met, as described herein.

Control. If a payment default in respect of the Class A Notes or any other Event of Default occurs under the Indenture, the Requisite Noteholders will be entitled to determine the remedies to be exercised under the Indenture without obtaining the consent of the Holders of any Class of subordinate Notes. Remedies pursued by the Requisite Noteholders could be adverse to the interests of the Holders of more junior Classes of Notes, and the Requisite Noteholders will have no obligation to consider any possible adverse effect on such other interests. Except in limited circumstances, none of the Holders of the Class A-2 Notes, the Class B Notes, the Class C Notes or the Class D Notes will have any right to determine the remedies to be exercised under the Indenture upon the occurrence of an Event of Default until in each case the Class or Classes of Notes senior to such Class have been paid in full, and the Holders of the Income Notes will have no right to declare an Event of Default or to exercise any remedies upon an Event of Default under the Indenture until the Senior Notes have been redeemed in full. See “*Description of the Notes—The Indenture and the Collateral Administration Agreement—Events of Default.*”

Furthermore, the Collateral Obligations may be sold and liquidated following an Event of Default only if (i) the Trustee determines that the anticipated proceeds of a sale or liquidation of the Collateral (after deducting the

reasonable expenses of such sale or liquidation) would be sufficient to discharge in full the amounts due and unpaid with respect to all the Senior Notes and certain other amounts and the Requisite Noteholders and the Collateral Manager agree with such determination; or (ii) a Majority of each Class of Senior Notes Outstanding directs the sale and liquidation of the Collateral.

Subordination of Income Notes. The Holders of the Income Notes will be subordinate in payment to the creditors of the Issuer ranking higher in the Priority of Payments, including, without limitation, the Holders of the Senior Notes, the Trustee, the Collateral Administrator and the Administrator. Except with respect to the obligations of the Issuer to make payments pursuant to the Indenture, the Collateral Administration Agreement, the Collateral Management Agreement and the Administration Agreement, the Issuer does not expect to have any significant creditors.

Distributions with respect to the Income Notes will be payable solely from and to the extent of the available proceeds from the Collateral pursuant to the Priority of Payments. Consequently, the Holders of the Income Notes must rely solely upon the net payments received by the Issuer under the Collateral Obligations and Eligible Investments and available amounts on deposit in the Trust Accounts, and any proceeds thereof. Because of the subordination of the Income Notes, distributions will be made with respect thereto only after all other payments and distributions due on a Payment Date from the Collateral have been made, including payments to the Holders of the Senior Notes. Holders of Income Notes are not entitled to the return of a stated principal amount or to receive distributions at a stated rate. There can be no assurance that the distributions on the Collateral will be sufficient to make distributions to Holders of the Income Notes after making payments that rank senior to payments on the Income Notes. The Issuer's ability to make distributions to the Holders of the Income Notes will be limited by the terms of the Indenture. If distributions on the Collateral are insufficient to make distributions on the Income Notes, no other assets will be available for any such distributions. See "*Description of the Notes.*"

Return Considerations. The return to each Holder of the Income Notes will be a function of the purchase price paid by such Holder for the Income Notes and the timing and amount of distributions made in respect of its Income Notes during the term of the transaction. Each prospective purchaser of Income Notes should make its own evaluation of the return that it expects to receive on the Income Notes. Prospective purchasers should be aware that the timing and amount of distributions will be affected by, among other things, the timing and number of prepayments, purchases and sales of Collateral (including the sales of Defaulted Obligations), and the amount of gains and losses resulting therefrom with respect to the Collateral Obligations. Gains or losses from any sales of Collateral Obligations will in turn depend on the market value of Collateral Obligations at the time of their sale. Each prospective purchaser should consider the risk that a more frequent occurrence of sales of Collateral Obligations from the Collateral or lower market values upon such sales than that which may be anticipated by the purchaser will result in lower payments with respect to the Income Notes than that anticipated by the purchaser. The return on the Income Notes could also be adversely affected by market changes reducing the return or cash flow on the Eligible Investments and Collateral Obligations. In particular, Interest Proceeds may be reduced for Defaulted Obligations, which in turn will reduce the amounts available to the Issuer to make payments on the Notes. In addition, if the Issuer fails any Coverage Test as of any Determination Date for a Payment Date after the Ramp-Up End Date, amounts that might otherwise be distributed to the Holders of the Income Notes on the related Payment Date will be used to redeem Senior Notes and will not be paid to such Holders. See "*Description of the Notes—Priority of Payments.*" Each prospective purchaser should consider that any such adverse developments could result in its failure to recover its initial investment in the Income Notes, or earn any expected level of return thereon.

The amounts available to pay the interest on, and the principal of, the Senior Notes may also be adversely affected by the factors described in the preceding paragraph, including the timing and number of sales of Collateral Obligations, the timing and number of Collateral Obligations that become Defaulted Obligations, gains and losses on the Collateral and market changes or other factors reducing the return or cash flow on the Eligible Investments. Although reductions in the Interest Proceeds may reduce the amounts available to make payments on the Senior Notes, there will be no corresponding reduction in the accrual of interest on the Senior Notes (although for Class B Notes, Class C Notes and Class D Notes, payment of such interest may be deferred). See "*—Subordination of the Senior Notes*" and "*Description of the Notes—The Indenture and the Collateral Administration Agreement—Events of Default*" for the discussions therein of the limited remedies available to the beneficial owners of the Senior Notes upon the occurrence of a payment default with respect thereto.

Income Notes and Subordinated Note Classes Represent Leveraged Investments. The Income Notes and each Class of Senior Notes may not be paid in full and may be subject to up to 100% loss. The Income Notes in particular, and each Class of Notes except the Class A-1 Notes, represent a highly leveraged investment in the Collateral. Therefore, the market value of the Income Notes and such other Classes of Notes would be anticipated to be significantly affected by, among other things, changes in the market value of the Collateral, changes in the distributions on the Collateral, defaults and recoveries on the Collateral, capital gains and losses on the Collateral, prepayments on Collateral and the availability, prices and interest rates of Collateral and other risks associated with the Collateral as described in “*Nature of Collateral*” below. Furthermore, the leveraged nature of each Class of Notes other than the Class A-1 Notes may magnify the adverse impact on each such Class of changes in the market value of the Collateral, changes in the distributions on the Collateral, defaults and recoveries on the Collateral, capital gains and losses on the Collateral, prepayments on Collateral and availability, prices and interest rates of the Collateral.

Redemption of Notes. If the Coverage Tests with respect to any Class or Classes of Senior Notes are not met in respect of a Payment Date to which the Coverage Tests apply, Interest Proceeds and in some cases Principal Proceeds that otherwise would have been paid or distributed to the Holders of the Notes of each Class (other than the Class A Notes) that is subordinated to such Class or Classes will instead be used to redeem the Notes beginning with the most senior Class or Classes then Outstanding (other than in limited circumstances when the Class D Coverage Test is not satisfied, in which case amounts will be used to redeem the Class D Notes even if more senior Notes are Outstanding) to the extent necessary to satisfy the applicable Coverage Tests as described under “*Description of the Notes—Priority of Payments—Interest Priority of Payments.*” This could result in an elimination, deferral or reduction in the payments of Interest Proceeds or Principal Proceeds to the Holders of the Class B Notes, the Class C Notes, the Class D Notes and/or the Income Notes, as the case may be. See “*Description of the Notes—Priority of Payments.*”

The Collateral Manager (with the consent of a Majority of the Income Notes) or a Majority of the Income Notes may cause the Notes to be redeemed, as described under “*Description of the Notes—Optional Redemption,*” on any Payment Date after the expiration of the Non-Call Period or on any Payment Date in the case of a Tax Event. In the event of an early redemption, the Holders of the Notes will be repaid prior to the respective Maturity Dates of such Notes. There can be no assurance that, upon any such redemption, the Sale Proceeds realized and other available funds would permit any distribution on the Income Notes after all required payments are made to the Holders of the Senior Notes. In addition, an Optional Redemption of the Notes could require the Collateral Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the Collateral Obligations sold.

Payments will be made in accordance with the Principal Priority of Payments and the Senior Notes may be redeemed as a Special Redemption during the Reinvestment Period if the Collateral Manager notifies the Trustee that it has been unable, for a period of 20 consecutive Business Days, to identify additional Collateral Obligations, which it deems appropriate in its discretion and which would meet the reinvestment criteria described herein, in such sufficient amounts to permit the investment or reinvestment of all or a portion of the funds then in the Collection Account.

Such redemption of the Senior Notes may shorten the expected lives of the Senior Notes. See “*Description of the Notes—Special Redemption.*”

Maturity Date, Average Life and Prepayment Considerations. The average life of each Class of Notes is expected to be shorter than the number of years until the Maturity Date. Each such average life may vary due to various factors affecting the early retirement of Collateral Obligations, the timing and amount of sales of such Collateral Obligations, the ability of the Collateral Manager to invest collections and proceeds in additional Collateral Obligations, and the occurrence of any mandatory redemption, Optional Redemption or Special Redemption. Retirement of the Collateral Obligations securing the Notes prior to their respective final maturities will depend, among other things, on the financial condition of the issuers of the underlying Collateral Obligations and the respective characteristics of such Collateral Obligations, including the existence and frequency of exercise of any optional redemption, mandatory redemption or sinking fund features, the prevailing level of interest rates, the redemption prices, the actual default rates and the actual amount collected on any defaulted obligations and the frequency of tender or exchange offers for such Collateral Obligations. In particular, loans are generally prepayable at par, and a high proportion of loans could be prepaid. Prospective purchasers of the Notes may, prior to the

Closing Date, obtain from the Initial Purchaser upon request additional information regarding average life and prepayment considerations. See *“Security for the Notes—Sales and Purchases of Collateral Obligations.”*

Tax Considerations. The Issuer expects to conduct its affairs so that it will not be treated as engaged in a trade or business within the United States (including as a result of lending activities). As a consequence, the Issuer expects that its net income will not become subject to United States federal income tax. There can be no assurance, however, that its net income will not become subject to United States federal income tax as a result of unanticipated activities, changes in law, contrary conclusions by the United States tax authorities or other causes. If the Issuer were determined to be engaged in a United States trade or business, its income (possibly computed without any allowance for deductions) would be subject to federal income tax at the usual corporate rate, and possibly to a branch profits tax of 30%. The imposition of unanticipated taxes could materially impair the Issuer’s ability to make payments on the Senior Notes and make distributions with respect to the Income Notes.

An investment in the Securities involves complex tax issues. Delays in distributing important tax information may occur. See *“Certain Income Tax Considerations.”*

The Issuer expects that all payments in respect of the Notes by the Issuer will ordinarily not be subject to any withholding tax or certain withholding requirements of the Cayman Islands, the United States or any other jurisdiction. In the event that withholding or deduction of taxes of any nature whatsoever from payments in respect of the Notes is required by law in any jurisdiction, the Issuer will be under no obligation to make any additional payments to the holders of the Notes in respect of such withholding or deduction. See *“Certain Income Tax Considerations.”*

The Issuer is expected to be a passive foreign investment company, which means that a U.S. holder of Income Notes (other than a person or entity treated as a U.S. shareholder in a controlled foreign corporation) may be subject to adverse tax consequences unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer’s income. A holder that makes a qualified electing fund election (or that is required to include Subpart F income as a U.S. shareholder in a controlled foreign corporation) may recognize income in amounts significantly greater than the payments received from the Issuer. Taxable income may exceed cash payments when, for example, the Issuer uses earnings to repay principal on the Senior Notes or accrues income on the Collateral Obligations prior to the receipt of cash. A holder that makes a qualified electing fund election will be required to include in current income its pro rata share of such earnings, income or amounts whether or not the Issuer actually makes any payments to such holder.

Diversion of Interest Proceeds. During the Reinvestment Period, if the Class D Overcollateralization Ratio is less than 102.4 %, an amount equal to 50% of the remaining Interest Proceeds will be diverted to the Collection Account for the purchase of additional Collateral Obligations. This diversion of Interest Proceeds may reduce distributions otherwise available to Holders of the Income Notes.

Nature of Collateral. The Collateral will consist primarily of non-investment grade loans and interests in non-investment grade loans. The Collateral may also include Bonds, Structured Finance Obligations and Synthetic Securities. These assets are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. It is anticipated that the Collateral generally will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that the portfolio is concentrated in one or more particular types of Collateral Obligations.

Prices of the Collateral may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the Collateral.

Loans. Loans and interests in loans have significant liquidity and market value risks as they are not generally traded in organized exchange markets but are traded by banks and other institutional investors engaged in loan syndications. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are not purchased or sold as easily as publicly traded securities.

Leveraged loans have historically experienced greater default rates than investment grade securities. There can be no assurance as to the levels of defaults and/or recoveries that may be experienced on the Collateral Obligations securing the Notes.

A non-investment grade loan or an interest in a non-investment grade loan is generally considered speculative in nature and may become a Defaulted Obligation for a variety of reasons.

Prepayment of Loans. Loans are generally prepayable in whole or in part at any time at the option of the obligor thereof at par plus accrued unpaid interest thereon. Prepayments on loans may be caused by a variety of factors that are often difficult to predict. Consequently, there exists a risk that loans purchased at a price greater than par may experience a capital loss as a result of such a prepayment. In addition, principal proceeds received upon such a prepayment are subject to reinvestment risk during the Reinvestment Period. Any inability of the Issuer to reinvest payments or other proceeds in Collateral with comparable interest rates that satisfy the Investment Criteria specified herein may adversely affect the timing and amount of payments received by the Holders of Notes and the yield to maturity of the Securities and the distributions on the Income Notes. There is no assurance that the Issuer will be able to reinvest proceeds in assets with comparable interest rates that satisfy the Investment Criteria or (if it is able to make such reinvestments) as to the length of any delays before such investments are made.

Bonds. A portion of the Collateral Obligations may include Bonds, which will generally be below investment-grade corporate debt securities. Many of the risks described above for loans also apply to Bonds. Bonds are generally unsecured and may be subordinated to other obligations of the issuer thereof. The lower ratings of obligations in the non-investment grade market reflect a greater possibility that adverse changes in the financial condition of an issuer of such obligations or in general economic conditions or both may impair the ability of such issuer to make payments of principal and interest.

Risks of Bonds may include (among others): (i) limited liquidity and secondary market support; (ii) substantial market price volatility resulting from changes in prevailing interest rates; (iii) subordination to the prior claims of banks and other senior lenders; (iv) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause the Issuer to reinvest premature redemption proceeds in lower-yielding Collateral Obligations; (v) the possibility that earnings of the high-yield debt security issuer may be insufficient to meet its debt service and (vi) the declining creditworthiness and potential for insolvency of the issuer of such high-yield debt securities during periods of rising interest rates or economic downturn or under other circumstances. An economic downturn (whether a general downturn or a downturn occurring in one or more sectors of the economy) or an increase in interest rates could severely disrupt the market for high-yield debt securities and adversely affect the value of outstanding high-yield debt securities and the ability of the issuers thereof to repay principal and interest.

Structured Finance Obligations. A portion of the Collateral Obligations may consist of Structured Finance Obligations. Such securities are generally limited recourse obligations of a special purpose issuer and are payable solely from the assets of such issuer. These underlying assets typically consist primarily of non-investment grade loans, bonds, asset backed securities or other debt obligations. Investments in Structured Finance Obligations entail a number of risks, including prepayment risk, credit risk, liquidity risk, structural risk, legal risk and interest rate risk, which may be different from those of loans or other types of assets. The performance of a Structured Finance Obligation may be affected by a variety of factors, including its position in the capital structure of the relevant issuer, the amount and timing of payments and recoveries on the underlying assets and any related collateral and the performance of the manager, if any, of the underlying assets. Interest payments on Structured Finance Obligations may also be subject to deferral under the terms thereof (without causing a default thereunder), which may reduce or delay Interest Proceeds therefrom.

Synthetic Securities. A portion of the Collateral may consist of Synthetic Securities, the Reference Obligations of which may be non-investment grade loans, leveraged loans or similar obligations. Investments in such types of assets through Synthetic Securities present risks in addition to those resulting from direct purchases of such Collateral Obligations. With respect to each Synthetic Security, the Issuer will usually have a contractual relationship only with the related Synthetic Security Counterparty, and not the reference entity on the Reference Obligation. The Issuer generally will have no right directly to enforce compliance by the reference entity with the terms of the Reference Obligation nor any rights of set-off against the reference entity, may be subject to set-off rights exercised by the reference entity against the Synthetic Security Counterparty or another person or entity, and

generally will not have any voting or other contractual rights of ownership with respect to the Reference Obligation. The Issuer will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of the insolvency of the Synthetic Security Counterparty, the Issuer will be treated as a general creditor of such Synthetic Security Counterparty, and will not have any claim with respect to the Reference Obligation. Consequently, the Issuer will be subject to the credit risk of the Synthetic Security Counterparty as well as that of the reference entity. As a result, concentrations of Synthetic Securities entered into with any one Synthetic Security Counterparty will subject the Notes to an additional degree of risk with respect to defaults by such Synthetic Security Counterparty as well as by the reference entity. One or more Affiliates of the Initial Purchaser and Placement Agent may act as Synthetic Security Counterparty with respect to all or a portion of the Synthetic Securities, which relationship may create certain conflicts of interest. See “—*Certain Conflicts of Interest.*” Moody’s or S&P may downgrade any Class of Senior Notes then rated by it if a Synthetic Security Counterparty to a material portion of the Synthetic Securities held by the Issuer has been downgraded by Moody’s or S&P, respectively.

The Collateral Manager will not be obligated to perform independent credit analyses of any Synthetic Security Counterparties or entities that may guarantee the obligations of any such Synthetic Security Counterparty, although all Synthetic Security Counterparties (or guarantors) are required to have (i) a long-term senior unsecured rating of at least “A1” by Moody’s (and if rated “A1” by Moody’s, such rating is not on watch for downgrade), and a long-term senior unsecured rating by S&P of at least “A+” at the time they enter into a Synthetic Security.

Defaulted Obligations. Upon any Collateral Obligation becoming a Defaulted Obligation, such Defaulted Obligation may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such Defaulted Obligation. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such Defaulted Obligation. The liquidity for Defaulted Obligations may be limited, and to the extent that Defaulted Obligations are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon. Furthermore, there can be no assurance that the ultimate recovery on any Defaulted Obligation will be at least equal to either the minimum recovery rate assumed by any Rating Agency in rating the Securities or any recovery rate used in connection with any analysis of the Securities that may have been prepared by the Initial Purchaser, the Placement Agent or any other person for or at the direction of Holders of any Securities.

Ramp-Up Risk. The Issuer expects that, as of the Closing Date, it will have purchased (or entered into commitments to purchase) approximately U.S. \$401,000,000 in Aggregate Principal Balance of Collateral Obligations. During the Ramp-Up Period, the Issuer expects that the Collateral Manager on behalf of the Issuer will purchase additional Collateral Obligations from Principal Proceeds (and diverted Interest Proceeds) until the Aggregate Principal Balance of the Collateral Obligations is equal to at least U.S. \$450,000,000 (including amounts prepaid on Collateral Obligations and sales proceeds of Collateral Obligations that in either case have not yet been reinvested) in accordance with certain criteria. After the Ramp-Up Period, the Aggregate Principal Balance may still increase or decrease as a result of removal and addition of Collateral Obligations.

Prior to the Closing Date, the Issuer acquired a part of the initial portfolio of Collateral Obligations pursuant to warehouse arrangements under which an Affiliate of the Initial Purchaser purchased a participation in those assets. Under these arrangements, the Issuer will not be entitled to any of the interest accrued on these assets prior to the Closing Date. On the Closing Date, the Issuer will use a portion of the net proceeds of the issuance of the Notes to repurchase those participations. The price paid to repurchase the participations will be based on the price of the relevant Collateral Obligations at the time of their original acquisition (subject to certain adjustments), which may be higher or lower than the market value of those obligations on the Closing Date.

The ability of the Issuer to acquire an initial portfolio of Collateral Obligations that satisfy the Investment Criteria at the projected prices, ratings, rates of interest and any other applicable characteristics will be subject to market conditions and availability of such Collateral Obligations. Any inability of the Issuer to acquire Collateral Obligations that satisfy the Investment Criteria specified herein may adversely affect the timing and amount of payments received by the Holders of Notes and the yield to maturity of the Notes and the distributions on the

Income Notes. There is no assurance that the Issuer will be able to acquire Collateral Obligations that satisfy the Investment Criteria.

The Co-Issuers will, within 20 Business Days of the Ramp-Up End Date, request each Rating Agency to confirm, within 30 Business Days after the Ramp-Up End Date, the ratings assigned on the Closing Date to the Senior Notes. If any of such ratings on the Senior Notes are not confirmed, on the next and succeeding Payment Dates the Senior Notes will be redeemed, beginning with the most senior Class Outstanding, in accordance with the Priority of Payments until such ratings are confirmed.

Changes in Rating Methodology. One or more credit rating agencies may in the future and from time to time change their methodologies with respect to the rating of Collateral Obligations and Eligible Investments and/or securities of collateralized debt obligation transactions such as the Notes. There can be no assurance as to the effect of any such actions on the Notes. Such actions could cause a Rating Agency to downgrade, qualify or withdraw the rating of any Class of Securities, or make it more difficult to obtain confirmation of those ratings in the circumstances where the Co-Issuers are required to do so under the Indenture. Such actions may also affect the relative demand for and supply of different types of Collateral Obligations in relevant debt markets, which may in turn affect the ability of the Issuer to acquire and/or sell such obligations at economically advantageous prices and consequently the return to the Issuer from such investments. The Issuer may be permitted to amend the Indenture, without the consent of the Holders of Notes, but with the consent of the relevant Rating Agency, to accommodate certain such changes,

Assignments and Participations. The Issuer may acquire interests in loans either directly (by way of assignment from the selling institution) or indirectly (by purchasing a participation interest from the selling institution or through the acquisition of Synthetic Securities). As described in more detail below, holders of participation interests are subject to additional risks not applicable to a holder of a direct interest in a loan.

Participations by the Issuer in a selling institution's portion of a loan typically result in a contractual relationship only with such selling institution, not with the borrower. In the case of a participation interest, the Issuer will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation and only upon receipt by such selling institution of such payments from the borrower. By holding a participation interest in a loan, the Issuer generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set off against the borrower, and the Issuer may not directly benefit from the collateral supporting the loan in which it has purchased the participation. As a result, the Issuer will assume the credit risk of both the borrower and the institution selling the participation, which will remain the legal owner of record of the applicable loan. In the event of the insolvency of the selling institution, the Issuer, by owning a participation interest, may be treated as a general unsecured creditor of the selling institution, and may not benefit from any set off between the selling institution and the borrower. In addition, the Issuer may purchase a participation from a selling institution that does not itself retain any portion of the applicable loan and, therefore, may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower. When the Issuer holds a participation interest in a loan it will generally not have the right to vote under the applicable loan agreement with respect to every matter that arises thereunder, and it is expected that each selling institution will reserve the right to administer the loan sold by it as it sees fit and to amend the documentation evidencing such loan in all respects. Selling institutions voting in connection with such matters may have interests different from those of the Issuer and may fail to consider the interests of the Issuer in connection with their votes.

The purchaser of an assignment of an interest in a loan typically succeeds to all the rights and obligations of the assigning selling institution and becomes a lender under the loan agreement with respect to that loan. As a purchaser of an assignment, the Issuer generally will have the same voting rights as other lenders under the applicable loan agreement, including the right to vote to waive enforcement of breaches of covenants or to enforce compliance by the borrower with the terms of the loan agreement, and the right to set off claims against the borrower and to have recourse to collateral supporting the loan. Assignments are, however, arranged through private negotiations between assignees and assignors, and in certain cases the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning selling institution.

Assignments and participations are sold strictly without recourse to the selling institutions, and the selling institutions will generally make no representations or warranties about the underlying loan, the borrowers, the documentation of the loans or any collateral securing the loans. In addition, the Issuer will be bound by provisions of the underlying loan agreements, if any, that require the preservation of the confidentiality of information provided by the borrower.

Concentration Risk. Payments on the Securities could be affected by the concentration of the Collateral in the Collateral Obligations of any one country, industry or obligor. In addition, Defaulted Obligations may be highly correlated with particular geographic regions or industries represented in the Collateral. The Indenture will contain limitations on the concentration of the Collateral Obligations in a single Collateral Obligation and will also include diversity requirements intended to achieve diversity across countries and industries, but there can be no assurance that such limitations will eliminate concentration risk.

Lender Liability; Equitable Subordination. A number of judicial decisions have upheld judgments of borrowers against lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has violated a duty (whether implied or contractual) of good faith, commercial reasonableness and fair dealing, or a similar duty owed to the borrower or has assumed an excessive degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of the Collateral, the Issuer may be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because of the nature of the Collateral, the Collateral may be subject to claims of equitable subordination.

Because affiliates of, or persons related to, the Collateral Manager may hold equity or other interests in Obligors of Collateral Obligations, the Issuer could be exposed to claims for equitable subordination or lender liability or both based on such equity or other holdings.

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

International Investing. Up to 20% of the Collateral Principal Amount may consist of Collateral Obligations of obligors having a Domicile in an Eligible Country other than the United States. Transactions in Collateral Obligations of non-U.S. obligors may involve greater risks than transactions in Collateral Obligations of only U.S. obligors. These risks may include (i) less publicly available information, (ii) varying levels of governmental regulation and supervision, (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws, (iv) risks of political and economic dislocations in the host country, (v) less data on historic default and recovery rates, (vi) higher transaction costs, (vii) delays and other problems in the clearance and settlement of transactions and (viii) impacts of currency conversion rate changes on Obligors (although all of the Collateral Obligations will be denominated and payable in U.S. dollars). Moreover, non-U.S. obligors may not be subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. obligors. The foregoing factors may adversely affect the market value of any Collateral Obligation of a non-U.S. obligor, which may result in losses upon its sale.

Insolvency Considerations With Respect to Issuers of Collateral Obligations. Various laws enacted for the protection of creditors may apply to the Collateral Obligations. The information in the following two paragraphs is applicable with respect to U.S. issuers. Insolvency considerations will differ with respect to non-U.S. issuers.

If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of a Collateral Obligation, such as a trustee in bankruptcy, were to find that the issuer did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting such Collateral Obligation and, after giving effect to such indebtedness, the issuer (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such issuer constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness (or the grant of any security therefor) as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of the issuer or to recover amounts previously paid by the issuer in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an issuer would be considered insolvent at a particular time if the sum of its debts were then greater than all of its property at a fair valuation or if the present fair salable value of its assets were then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the issuer was “insolvent” after giving effect to the incurrence of the indebtedness constituting the Collateral Obligations or that, regardless of the method of valuation, a court would not determine that the issuer was “insolvent” upon giving effect to such incurrence. In addition, in the event of the insolvency of an issuer of a Collateral Obligation, payments made on such Collateral Obligations could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year under U.S. federal bankruptcy law or even longer under state laws) before insolvency.

In general, if payments on Collateral Obligations are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as the Issuer) or from subsequent transferees of such payments (such as the Holders of the Notes). To the extent that any such payments are recaptured from the Issuer, the resulting loss will be borne by the Holders of the Notes in inverse order of seniority as described under “—*Subordination of the Senior Notes*” above. However, a court in a bankruptcy or insolvency proceeding would be able to direct the recapture of any such payment from a Holder of Notes only to the extent that such court has jurisdiction over such Holder or its assets. Moreover, it is likely that avoidable payments could not be recaptured directly from a Holder that has given value in exchange for its Note, in good faith and without knowledge that the payments were avoidable. Nevertheless, since there is no judicial precedent relating to a structured transaction such as the Notes, there can be no assurance that a Holder of Notes will be able to avoid recapture on this or any other basis.

Interest Rate Risk. The Senior Notes will bear interest at floating rates based on LIBOR, as determined on each LIBOR Determination Date. The funds that the Co-Issuers will use to make interest payments on the Senior Notes will consist of income from Collateral Obligations and Eligible Investments and amounts on deposit in the Trust Accounts. Although the Collateral Obligations and Eligible Investments are expected to be comprised primarily of floating rate obligations or provide for floating rate payments with payment dates, maturities or interest rate resets occurring at least quarterly, some Collateral Obligations or Eligible Investments may bear interest at fixed rates or at floating rates based on indices other than LIBOR, or if LIBOR is applicable, LIBOR for the instrument may reset on dates other than the reset dates for the Senior Notes. Consequently, there may be a mismatch between the interest payment obligations of the Co-Issuers under the Senior Notes, on the one hand, and the cash flows paid to the Issuer under the Collateral Obligations and Eligible Investments in the Collateral, on the other hand. As a result of such a mismatch, an increase or decrease in LIBOR (or other relevant floating rate) for the relevant maturity could adversely affect the ability of the Issuer to make payments on the Senior Notes. The Issuer will not be permitted to enter into any hedging arrangements to manage interest rate risk.

Credit Ratings. Credit ratings of obligors and Collateral Obligations represent the opinions of the rating agencies regarding the likelihood of payment of certain obligations when due and the ultimate payment of other obligations (such as principal payments) of the obligors, but are not a guarantee of the creditworthiness of such obligors. While the market imposes a certain amount of discipline on the rating agencies’ rating processes, the rating agencies themselves do not assume responsibility for their rating actions in any legally cognizable sense, and investors cannot expect to have recourse to rating agencies for ratings actions taken or not taken. While rating methodologies generally attempt to evaluate all risks capable of rational analysis, not all risks are susceptible to analysis and certain market risks are explicitly excluded from rating analyses. Therefore, the ratings assigned to an obligor or its Collateral Obligations by a rating agency may not fully reflect the true risks of purchasing a Collateral Obligation. In addition, rating agencies may fail to make timely changes in credit ratings in response to subsequent

events, so that the current financial condition of an obligor at any given time may be better or worse than what the current rating indicates. Consequently, credit ratings of the obligors and Collateral Obligations included in the Collateral cannot be definitive indicators of investment quality. *See also "Ratings of the Notes"* for a discussion of the ratings of the Senior Notes.

Collateral Manager; Past Performance Not Indicative. The past performance of the Collateral Manager in other portfolios or investment vehicles may not be indicative of the results that the Collateral Manager may be able to achieve with the Collateral Obligations. Similarly, the past performance of the Collateral Manager over a particular period may not necessarily be indicative of the results that may be expected in future periods. Furthermore, the nature of, and risks associated with, the Issuer's investments may differ substantially from those investments and strategies undertaken historically by the Collateral Manager. There can be no assurance that the Issuer's investments will perform as well as past investments of the Collateral Manager, that the Issuer will be able to avoid losses or that the Issuer will be able to make investments similar to the past investments of the Collateral Manager. In addition, such past investments may have been made utilizing a leveraged capital structure, an asset mix and fee arrangements that are different from the anticipated capital structure, asset mix and fee arrangements of the Issuer. Moreover, because the investment criteria that govern investments in the Issuer's portfolio do not govern the Collateral Managers' investments and investment strategies generally, such investments conducted in accordance with such criteria, and the results they yield, are not directly comparable with, and may differ substantially from, other investments undertaken by the Collateral Manager.

Dependence on Key Personnel; Replacement of Key Personnel; Replacement of Collateral Manager. The performance of the Issuer's portfolio depends heavily on the skills of the Collateral Manager in analyzing, selecting and managing the Collateral Obligations. As a result, the Issuer will be highly dependent on the financial and managerial experience of certain investment professionals associated with the Collateral Manager, none of whom is under any contractual obligation to the Issuer to continue to be associated with the Collateral Manager for the term of this transaction. The loss of one or more of these individuals could nonetheless have a material adverse effect on the performance of the Issuer and the Notes. In addition, loss of a specified key manager may result in the removal of the Collateral Manager, and/or termination of the Reinvestment Period, at the election of certain Securityholders. Furthermore, the Collateral Manager has informed the Issuer that these investment professionals are also actively involved in other investment activities and will not be able to devote all of their time to the Issuer's business and affairs. In addition, individuals not currently associated with the Collateral Manager may become associated with the Collateral Manager and the performance of the Collateral Obligations may also depend on the financial and managerial experience of such individuals. *See "The Collateral Manager and The Collateral Management Agreement."*

In addition, any replacement of the Collateral Manager may lead to increased costs, if a replacement collateral manager conditions its acceptance of the appointment as collateral manager on an increase of any or all of the management fees paid to the current Collateral Manager. In this case such increased costs will lead to a reduction of amounts available to make payments on or distributions to the Notes.

Certain Conflicts of Interest. Various potential and actual conflicts of interest may arise from the overall investment activity of the Collateral Manager, its clients and its Affiliates and the Initial Purchaser and the Placement Agent and its Affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

Collateral Manager Conflicts of Interest. Various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of the Collateral Manager and any of its Affiliates and their respective clients. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

In addition to the Senior Management Fee, the Collateral Manager is entitled to receive a Subordinate Management Fee and an Incentive Management Fee after all other distributions (other than certain distributions with respect to the Income Notes and certain administrative expenses) are made, which is dependent in large part on the performance of the assets purchased by the Collateral Manager on behalf of the Issuer. This could create an incentive for the Collateral Manager to manage the Issuer's investments in such a manner as to seek to maximize the return on such assets. This could result in increasing the volatility of the Collateral and could contribute to a decline

in the aggregate value of the Collateral. However, the Collateral Manager's management of the Issuer's investments is restricted by the requirement that it comply with the investment restrictions described in "Security for the Notes."

The Collateral Management Agreement generally permits the Collateral Manager or any of its Affiliates to acquire or sell securities, for its own account or for the accounts of its customers, without either requiring or precluding the purchase or sale of such securities for the account of the Issuer. In the event that, in light of market conditions and investment objectives, the Collateral Manager determines that it would be advisable to purchase the same item of Collateral both for the Issuer, and either the proprietary account of the Collateral Manager or any Affiliate of the Collateral Manager or another client of the Collateral Manager, the Collateral Manager will employ allocation procedures it deems to be fair and equitable and in accordance with its customary procedures and applicable laws.

Nothing in the Collateral Management Agreement shall preclude the Collateral Manager or its Affiliates from acting as principal, agent or fiduciary for other clients in connection with securities simultaneously held by the Issuer or of the type eligible for investment by the Issuer or limiting any relationships the Collateral Manager or any of its Affiliates may have with any obligor of any item of Collateral. All purchases of securities between the Issuer and the Collateral Manager must be made in accordance with its customary procedures and the Advisers Act. Should a conflict of interest actually arise, the Collateral Manager will endeavor to ensure that it is resolved fairly to the extent possible under the prevailing facts and circumstances.

The Collateral Manager and its Affiliates, employees and agents are not prohibited from, and intend to, spend substantial business time in connection with other businesses or activities, including, but not limited to, managing investments, advising or managing entities whose investment objectives are the same as or overlap with those of the Issuer, participating in actual or potential investments of the Issuer, providing consulting, merger and acquisition, structuring or financial advisory services, including with respect to actual, contemplated or potential investments of the Issuer, or acting as a director, officer or creditors' committee member of, adviser to, or participant in any corporation, partnership, trust or other business entity. The Collateral Manager and its Affiliates, employees and agents may, and expect to, receive fees or other compensation from third parties for any of these activities, which fees will be for the benefit of their own account and not the Issuer. These fees can relate to actual, contemplated or potential investments of the Issuer and may be payable by entities in which the Issuer, directly or indirectly, has invested or contemplates investing.

The Collateral Manager and its Affiliates may manage other accounts that invest in assets eligible for purchase by the Issuer. The investment policies, fee arrangements and other circumstances of the Issuer may vary from those of other accounts. For example, the Issuer may desire to retain an asset at the same time that one or more other accounts desire to sell it. When the personnel of the Collateral Manager are considering purchases or sales for the Issuer and one or more of such other accounts at the same time, the Collateral Manager will attempt to allocate available investments or opportunities for sales in a manner they believe to be both equitable and consistent with its customary procedures and each entity's investment objectives. Similarly, other accounts which are in a liquidation phase may take priority as to sales of investments in which the Issuer is also an investor. These procedures could in certain circumstances affect adversely the price paid or received by the Issuer or the size of the position purchased or sold by the Issuer. Additionally, in order to avoid restrictions on the trading capabilities for certain of its funds, the Collateral Manager may actively avoid exposure to certain material, non-public information regarding certain of the issuers of items of Collateral that the Collateral Manager would, as agent of the Issuer, otherwise be entitled to receive. The Collateral Manager and its Affiliates will be free, in their sole discretion, to make recommendations to others, or effect transactions on behalf of itself or for others, which may be the same as or different from those effected with respect to the Collateral and shall have no duty in making such recommendations or effecting such transactions to act in a way favorable to the Issuer or to the Holders of the Securities.

The Collateral Manager shall seek to obtain on an arms-length basis the best execution for all orders placed with respect to the Collateral, considering all circumstances. Subject to the objective of obtaining best execution, the Collateral Manager may, in the allocation of business, take into consideration research and other brokerage services furnished to the Collateral Manager or its Affiliates by brokers and dealers. Such services may be furnished to the Collateral Manager or its Affiliates in connection with its other advisory activities or investment operations. Transactions may be executed as part of concurrent authorizations to purchase or sell the same security for other accounts served by the Collateral Manager or its Affiliates. When these concurrent transactions occur, the objective of the Collateral Manager (and any of its Affiliates involved in such transactions) shall be to allocate the executions

among the accounts in an equitable manner; provided that any aggregated trades may not be to the detriment of the Issuer. The Collateral Manager shall not be obligated to utilize with respect to the Collateral any particular investment opportunity of which it becomes aware.

Except as expressly contemplated by the Collateral Management Agreement and the Indenture and the other documents contemplated thereby, the Issuer will not, directly or indirectly: (a) sell, lease or otherwise transfer any assets to any Affiliate of the Collateral Manager; (b) purchase or acquire assets from any Affiliate of the Collateral Manager; or (c) enter into any other transaction directly or indirectly with or for the benefit of any Affiliate of the Collateral Manager (including, without limitation, guarantees and assumptions of obligations of any Affiliate of the Collateral Manager); provided, however, that the Issuer may enter into any such transaction with any Affiliate of the Collateral Manager or for the benefit of any Affiliate of the Collateral Manager pursuant to an arm's-length transaction conducted in accordance with the requirements of the following paragraph. The Collateral Manager shall not cause the Issuer to make an investment in any Affiliate of the Collateral Manager.

In order to comply with the Advisers Act in connection with transactions effected on behalf of the Issuer with or through the Collateral Manager or Affiliates of the Collateral Manager acting in a principal capacity, the Issuer may form an independent advisory committee to review and approve proposed principal trades prior to the settlement thereof. If such an independent advisory committee is formed, any member thereof must be approved by the Issuer, which Person (or any successor thereof) will be subject to removal or replacement by the Issuer at any time upon notice to the Collateral Manager. At any time while an independent advisory committee is in place, the Collateral Manager will not cause the Issuer to (i) effect transactions with or through any member of such independent advisory committee or their respective Affiliates acting in a principal capacity or (ii) effect agency cross transactions with any Person advised by any member of such independent advisory committee or their respective Affiliates.

The Collateral Manager may also effect transactions through broker-dealers affiliated with the Collateral Manager acting as agent for both the Issuer and Persons other than the Issuer. In such transactions, the applicable broker-dealer may receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding the Issuer and such other Person. Such transactions, known as agency cross transactions, will be conducted in compliance with applicable rules under the Advisers Act. The Issuer may terminate this agency cross transaction authority at any time by written notice to the Collateral Manager.

By purchasing Notes, each investor shall be deemed to have consented to the transactions and procedures described above relating to principal trades and agency cross transactions.

Initial Purchaser's and Placement Agent's Conflicts of Interest. The Initial Purchaser and Placement Agent and their Affiliates are acting in a number of capacities in connection with the transaction described herein. Affiliates of the Initial Purchaser and Placement Agent may, for example, act as a Synthetic Security Counterparty. The Initial Purchaser and the Placement Agent and each of their Affiliates acting in such capacities will have only the duties and responsibilities expressly agreed to by such entity in the relevant capacity and will not, by reason of its or any of its Affiliates' acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity. Neither the Initial Purchaser nor the Placement Agent take any responsibility for, or have any obligations in respect of, the Co-Issuers.

The Initial Purchaser and Placement Agent and its Affiliates may have banking, lending and/or other business relationships with the Collateral Manager and its principals. These and other relationships with the Collateral Manager or its principals could create certain conflicts of interest between the Initial Purchaser and its Affiliates, the Collateral Manager, and the Holders of Notes.

The Initial Purchaser and Placement Agent and their Affiliates may purchase, acquire, hold, sell, make loans secured by and enter into other transactions with respect to Securities from time to time and exercise rights of the Holders of Securities (including voting rights) in connection therewith.

The Initial Purchaser and Placement Agent and their Affiliates may hold Collateral Obligations or other obligations or securities of any Obligor, may deal in any such obligations or securities, may enter into credit derivatives involving reference entities or reference obligations that may include the Obligors or Collateral

Obligations, may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, any Obligor, any affiliate of any Obligor or any other Person or other entity having obligations relating to any Obligor, and may act with respect to such business, regardless of whether any such relationship or action might have an adverse effect on any Obligor (including, without limitation, any action which might result in or cause a Collateral Obligation to be a Defaulted Obligation), or on the position of the Co-Issuers or any other party to the transactions described herein or otherwise. The Initial Purchaser, the Placement Agent or one or more of their Affiliates may act as a dealer for purposes of providing quotations with respect to the determination of the Market Value of any Collateral Obligation or for purposes of buying or selling Collateral Obligations. In addition, the Initial Purchaser and Placement Agent and/or their affiliates may from time to time possess interests in the Obligors and/or Collateral Obligations allowing the Initial Purchaser and Placement Agent or their Affiliates, as applicable (or any investment manager or adviser acting on its or their behalf), to exercise voting or consent rights with respect thereto, and such rights may be exercised in a manner that may be adverse to the interests of the Holders or that may affect the market value of Collateral Obligations and/or the amounts payable thereunder. The Initial Purchaser and Placement Agent and their Affiliates may maintain other banking and investment advisory relationships with the Collateral Manager and its Affiliates.

The Initial Purchaser and Placement Agent and their Affiliates currently act as administrative agent, swap counterparty, underwriter, initial purchaser or placement agent or in a similar capacity for entities having investment objectives similar to those of the Issuer, and the Initial Purchaser and its Affiliates may act as administrative agent, swap counterparty, underwriter, initial purchaser or placement agent for such entities and other similar entities in the future. The Initial Purchaser and Placement Agent (or an Affiliate) may be advising or distributing securities on behalf of an issuer or providing banking or other services to an issuer at the same time at which the Collateral Manager is determining whether to purchase or sell a Collateral Obligation of such issuer under the Indenture. The Initial Purchaser and Placement Agent have no duty to inform the Collateral Manager, the Co-Issuers or the Holders of the Notes of any such relationship or activity. Employees of the Initial Purchaser and Placement Agent and their affiliates may also serve as directors of other entities having investment objectives similar to those of the Issuer.

The Issuer may invest in Collateral Obligations and Eligible Investments that are purchased from or sold to, or are obligations of, the Initial Purchaser and Placement Agent or their Affiliates. The Initial Purchaser and Placement Agent and their Affiliates may hold or deal in obligations of, or interests in, and may generally engage in any kind of commercial or investment banking or other business with, issuers of Eligible Investments.

No Representation as to Notes. None of the Co-Issuers, the Initial Purchaser, the Placement Agent, the Collateral Manager or the Trustee or any affiliate thereof makes any representation as to the accounting, capital, tax and other regulatory and legal consequences to investors of ownership of the Notes and no purchaser may rely on any such party for a determination of the accounting, capital, tax and other regulatory and legal consequences to such purchaser of ownership of the Notes. Each purchaser of Notes, by its acceptance thereof, will be required to represent or will be deemed to have represented, as applicable, to the Co-Issuers, the Collateral Manager, the Initial Purchaser and the Placement Agent, among other things, that such purchaser has consulted with its own financial, legal and tax advisors regarding investment in the Notes as such purchaser has deemed necessary and that the investment by such purchaser, is permissible under applicable laws governing such purchase, and complies with applicable securities laws and other laws.

The Co-Issuers. The Issuer and the Co-Issuer are a recently incorporated Cayman Islands exempted company and a recently incorporated Delaware corporation, respectively, and have no prior operating history or prior business experience, other than (in the case of the Issuer) acquiring certain loans prior to the Closing Date in anticipation of the offering of the Securities pursuant to warehouse arrangements with an Affiliate of the Initial Purchaser. The assets of the Issuer that will be pledged to secure the Securities will comprise solely of (i) Collateral Obligations and Eligible Investments acquired with the net proceeds from the issuance of the Securities and from time to time thereafter with other amounts received by the Issuer in respect of the Collateral, (ii) funds on deposit in certain accounts established under the Indenture, (iii) the rights of the Issuer under the Indenture, the Collateral Management Agreement and the Collateral Administration Agreement and (iv) certain payments or distributions received in respect of the Collateral Obligations and Eligible Investments. The Co-Issuer will not have any significant assets and will not pledge any assets under the Indenture.

The Issuer has no employees. The Issuer will not engage in any business activity other than the issuance of the Securities as described herein, the acquisition and disposition of Collateral Obligations and Eligible Investments

and investment and reinvestment in Eligible Investments as described herein, certain activities conducted in connection with the payment of amounts in respect of the Securities, entering into the Collateral Management Agreement and the Collateral Administration Agreement and any other documents as contemplated by the Indenture and exercising its rights and performing its obligations thereunder and other activities incidental to the foregoing and permitted by the Indenture. The Co-Issuer has no employees. The Co-Issuer will not engage in any business other than the co-issuance of the Class A Notes, Class B Notes and Class C Notes as described herein and other activities incidental to the foregoing and permitted by the Indenture.

Investment Company Act Considerations. The Issuer has not registered with the United States Securities and Exchange Commission (the “Commission”) as an investment company pursuant to the Investment Company Act in reliance on the exemption provided by Section 3(c)(7) of the Investment Company Act. In general terms, Section 3(c)(7) exempts from the provisions of the Investment Company Act those issuers (i) whose investors residing in the United States are Qualified Purchasers and (ii) which do not make a public offering of their securities in the United States. The Co-Issuer has not registered with the Commission as an investment company based on the fact that the Co-Issuer has and will have no assets that could be construed as the holding of “securities” under the Investment Company Act.

To satisfy the requirements of Section 3(c)(7), the Issuer must have a “reasonable belief” that all purchasers of the Securities which reside in the United States (including initial purchasers and subsequent transferees of Securities sold to initial purchasers pursuant to Rule 144A) are Qualified Purchasers. Because transfers of beneficial interests in the Senior Notes will be generally effected only through DTC and its participants and indirect participants without delivery of written transferee certifications to the Issuer, the Issuer will establish such a reasonable belief by means of the deemed representations, warranties and agreements described under “*Purchase and Transfer Restrictions*,” the agreements of the initial purchasers relating to Rule 144A and Regulation S referred to under “*Purchase and Transfer Restrictions*” and by taking certain other actions pursuant to the Indenture. Although the Commission has stated that it is possible for an issuer of securities to satisfy the reasonable belief standard referred to above by establishing procedures to provide a means by which such issuer can make a reasonable determination as to the status of its holders of securities as Qualified Purchasers, the Commission has not approved—and has stated that it will not approve—any particular set of procedures, including the Section 3(c)(7) Procedures referred to herein. Accordingly, there can be no assurance that the Issuer will satisfy the reasonable belief standard referred to above.

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

Money Laundering Prevention. The Issuer and the Administrator are subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Criminal Conduct Law (2005 Revision) (the “PCCL”). Pursuant to the PCCL the Cayman Islands government enacted The Money Laundering Regulations (2006 Revision), which impose specific requirements with respect to the obligation “to know your client.” Except in relation to certain categories of institutional investors, the Issuer may require a detailed verification of each investor’s identity and the source of the payment used by such investor for purchasing the Securities in a manner similar to the obligations imposed under the laws of other major financial centers. In addition, if any person who is resident in the Cayman Islands knows or has a suspicion that a payment to the Issuer (by way of investment or otherwise) contains the proceeds of criminal conduct, that person must report such suspicion to the Cayman Islands authorities pursuant to the PCCL. If the Issuer were determined by the Cayman Islands government to be in violation of the PCCL or The Money Laundering Regulations (2006 Revision), the Issuer could be subject to substantial criminal penalties. Such a violation could materially adversely affect the timing and amount of payments by the Issuer to the Holders of the Notes.

Emerging Requirements of the European Union. As part of the harmonization of securities markets in Europe, the European Union has adopted a directive known as the Prospectus Directive that regulates offers of securities to the public and admissions to trading to E.U. regulated markets. A directive known as the Transparency Directive which came into force in the European Union at the beginning of 2005 and is required to be implemented by member states by early 2007, will among other things, impose continuing financial reporting obligations on issuers that have certain types of securities admitted to trading on an E.U. regulated market. In addition, the Market Abuse Directive harmonizes the rules on insider trading and market manipulation in respect of securities admitted to trading on an E.U. regulated market and requires issuers of such securities to disclose any non-public price-sensitive information as soon as possible, subject to certain limited exemptions. The listing of the Senior Notes on the Irish Stock Exchange would subject the Co-Issuers to regulation under these directives, although the requirements applicable to the Co-Issuers are not yet fully clarified. The Indenture will not require the Co-Issuers to maintain a listing for any Class of Senior Notes on an E.U. stock exchange if compliance with these directives (or other requirements adopted by the European Commission or a relevant member state) becomes burdensome in the sole judgment of the Collateral Manager.

THE CO-ISSUERS

General

Clear Lake CLO, Ltd. was incorporated on June 9, 2006 under the Companies Law (2004 Revision) of the Cayman Islands with the registered number WK-169090 for an indefinite period. The registered office of the Issuer is at the offices of Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands.

The Issuer has no prior operating history, prior business experience or employees (other than the acquisition of certain Collateral Obligations prior to the Closing Date pursuant to warehousing arrangements with an Affiliate of the Initial Purchaser). Clause 3 of the Issuer's Memorandum of Association sets out the objects of the Issuer, which include the business to be carried out by the Issuer in connection with the issuance of the Securities. The activities of the Issuer will be limited to (i) issuance of its Ordinary Shares (not offered hereby), (ii) issuance of the Securities, which will be secured by the assets pledged by the Issuer under the Indenture, (iii) entering into the Indenture, the Collateral Administration Agreement and the Collateral Management Agreement and various other documents contemplated by the Indenture and exercising its rights and performing its obligations thereunder, (iv) the acquisition and disposition of Collateral Obligations and Eligible Investments and in accordance with the Indenture and (v) engaging in other activities that are necessary, suitable or convenient to accomplish the foregoing or are incidental to the foregoing and permitted by the Indenture. Cash flow derived from the Collateral will be the Issuer's only source of funds to make payments on the Securities. The Issuer has no indebtedness for borrowed money other than indebtedness incurred pursuant to the Indenture and described herein. The Issuer may incur debt in the future only in compliance with and pursuant to the terms of the Indenture.

The authorized share capital of the Issuer consists of 1,000 voting Ordinary Shares, par value U.S. \$1.00 per share (the "Ordinary Shares"). It is expected that all of the Ordinary Shares will be owned by the Share Trustee and will be held on trust for the benefit of one or more charitable organizations located in the Cayman Islands under the terms of a declaration of trust. Under the terms of such declaration of trust, the Share Trustee will, among other things, generally agree not to dispose of or otherwise deal with such Ordinary Shares while any Notes are Outstanding. The Share Trustee will have no beneficial interest in and derive no benefit from its holding of the Ordinary Shares other than fees for acting as Share Trustee.

The Board of Directors of the Issuer will initially consist of three Directors. The Directors of the Issuer are expected to be as follows:

<u>Name</u>	<u>Address</u>	<u>Occupation</u>
David Egglshaw	Walkers SPV Limited Walker House, 87 Mary Street George Town Grand Cayman KY1-9002, Cayman Islands	Employee of Walkers SPV Limited
John Cullinane	Walkers SPV Limited Walker House, 87 Mary Street George Town Grand Cayman KY1-9002, Cayman Islands	Employee of Walkers SPV Limited
Derrie Boggess	Walkers SPV Limited Walker House, 87 Mary Street George Town Grand Cayman KY1-9002, Cayman Islands	Employee of Walkers SPV Limited

Clear Lake CLO, Corp., was incorporated on June 9, 2006 under the laws of the State of Delaware and has an indefinite existence. The registered office of the Co-Issuer is at 2711 Centerville Road, Suite 400, Wilmington, Delaware (Newcastle County). The Co-Issuer was incorporated for the sole purpose of co-issuing the Class A, Class B and Class C Notes and has no substantial assets and will not pledge any assets to secure the Notes.

The sole director and officer of the Co-Issuer is Donald J. Puglisi. The principal outside function of Donald J. Puglisi consists of being a retired finance professor at the University of Delaware and serving as a corporate director for a variety of entities. Donald J. Puglisi may be contacted at the principal office of the Co-Issuer. The Co-Issuer has no prior operating history. Unless otherwise required pursuant to the Indenture, the Co-Issuer will not publish any financial statements.

The Co-Issuer's authorized common stock consists of 10,000 shares of common stock, \$0.01 par value (the "Co-Issuer Common Stock"). All of the Co-Issuer Common stock is, or will be on the Closing Date, held by the Share Trustee, under the terms of a declaration of trust on trust for charitable purposes as described above.

Capitalization of the Issuer

The Issuer's expected initial capitalization and indebtedness on the Closing Date, after giving effect to the issuance of the Securities and the Ordinary Shares (before deducting certain expenses of the offering and the issuance thereof) is set forth below:

<u>Type</u>	<u>Amount (U.S. \$)</u>
Class A-1 Notes	U.S. \$343,000,000
Class A-2 Notes	U.S. \$21,500,000
Class B Notes	U.S. \$27,000,000
Class C Notes	U.S. \$20,000,000
Class D Notes	U.S. \$15,500,000
Income Notes	U.S. \$36,750,000
Total Notes Debt	<u>U.S. \$463,750,000</u>
Ordinary Shares	<u>U.S. \$1,000</u>
Total Notes and Ordinary Shares Capitalization	<u>U.S. \$463,751,000</u>

The Co-Issuer has no liabilities other than the Class A Notes, Class B Notes and Class C Notes.

The Administrator

Certain administrative functions in the Cayman Islands will be performed on behalf of the Issuer by Walkers SPV Limited (the "Administrator"), pursuant to an administration agreement (the "Administration Agreement"). Such functions include communications with holders of the Ordinary Shares and the general public and other services. The Administrator provides similar services to various other Cayman Islands entities. In consideration of the foregoing, the Administrator will receive various fees payable by the Issuer. The Administrator's address is Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands.

The Administrator may resign on 30 days' prior written notice to the Issuer. The Administrator's appointment may also be terminated by the Issuer on 14 days' notice upon the occurrence of certain specified events provided, in each case, that a replacement has been appointed on similar terms.

DESCRIPTION OF THE NOTES

The following summaries generally describe certain provisions of the Securities, the Indenture and the Collateral Administration Agreement. The summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of the Securities, the Indenture and the Collateral Administration Agreement.

General

The Notes will be issued pursuant to the Indenture. The Indenture limits the principal amount of Notes that can be issued thereunder to (i) U.S. \$343,000,000 Aggregate Principal Amount of the Class A-1 Notes, (ii) U.S. \$21,500,000 Aggregate Principal Amount of the Class A-2 Notes, (iii) U.S. \$27,000,000 Aggregate Principal Amount of the Class B Notes, (iv) U.S. \$20,000,000 Aggregate Principal Amount of the Class C Notes, (v) U.S. \$15,500,000 Aggregate Principal Amount of the Class D Notes and (vi) U.S. \$36,750,000 Aggregate Principal Amount of the Income Notes.

Payments

The Senior Notes will accrue interest from the Closing Date at the rates described under “—*The Senior Notes*,” which will, subject to the availability of funds and to the Priority of Payments, be payable quarterly on the 20th day of March, June, September and December of each year, (or if any such date is not a Business Day, then on the next succeeding Business Day) beginning on and including June 20, 2007 and ending on and including the earlier of the date of redemption or repayment in full and the Maturity Date (each such date, a “Payment Date”). Interest will cease to accrue on each of the Senior Notes or, in the case of a partial repayment of principal, on such part, from the date of repayment or the Maturity Date unless payment of principal is improperly withheld or unless default is otherwise made with respect to any such payment of principal.

The Income Notes will not bear a stated rate of interest. The Income Notes will be entitled to receive distributions on each Payment Date if and to the extent funds are available for such purpose after all interest and other payments due on the Senior Notes and all other payments and expenses of the Issuer have been paid, in each case pursuant to the Priority of Payments. See “—*The Income Notes*.”

Payments of interest and principal on the Senior Notes and distributions on the Income Notes will be made solely from the proceeds of the Collateral, in accordance with the priorities described under “—*Priority of Payments*” herein. To the extent these amounts are insufficient to meet payments due in respect of the Notes and expenses following liquidation of the Collateral, the Co-Issuers will have no obligation to pay such deficiency.

In addition, after the end of Non-Call Period or at any time upon the occurrence and during the continuance of a Tax Event, the Collateral Manager (with the consent of a Majority of the Income Notes) or a Majority of the Income Notes may cause the redemption (an “Optional Redemption”) of the Aggregate Principal Amount of the Outstanding Notes, in whole but not in part, in the case of the Senior Notes at a redemption price of par plus any accrued and unpaid interest (including any Deferred Interest) thereon to the Optional Redemption Date, and in connection therewith to cause the Trustee to liquidate the Collateral; *provided* that the proceeds of such liquidation would be sufficient to permit the payment of all Administrative Expenses and the redemption at such redemption price of all Classes of Senior Notes then Outstanding and payment of all other amounts ranking senior to the Income Notes in accordance with the Priority of Payments. See “—*Optional Redemption*” below.

The principal of and interest on the Senior Notes and the distributions on the Income Notes will be payable in U.S. dollars. The Record Date for each Payment Date will be the close of business on the 15th day prior to such Payment Date (or, if such day is not a Business Day, the close of business on the next Business Day). Except as otherwise provided herein, payments of principal of and interest on and any other amount payable on or in respect of all Global Notes will be made on each Payment Date by wire transfer to DTC or its nominees as the registered owner thereof in accordance with wiring instructions provided to the appropriate Paying Agent. The Co-Issuers, the Trustee and any Paying Agent will not have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. All payments on the Certificated Notes will

be made by wire transfer in immediately available funds to a U.S. dollar account maintained by the Holder thereof or its nominee or, if a wire transfer cannot be effected for whatever reason, by a U.S. dollar check delivered to such Holder or its nominee by mail.

The remaining principal amount, if any, of and interest on the Senior Notes and any final distribution, if any, on the Income Notes will be paid at maturity upon surrender of such Notes at the office of any Paying Agent designated for such purpose under the Indenture.

The Senior Notes

The Class A-1 Notes will accrue interest at the Class A-1 Interest Rate, the Class A-2 Notes will accrue interest at the Class A-2 Interest Rate, the Class B Notes will accrue interest at the Class B Interest Rate, the Class C Notes will accrue interest at the Class C Interest Rate and the Class D Notes will accrue interest at the Class D Interest Rate.

The Senior Notes will provide for the payment of the applicable Interest Amount on each Payment Date. Interest on the Senior Notes will accrue from and including the Closing Date and will be payable quarterly in arrears on each Payment Date to the Holders of the Senior Notes as of the related Record Date, subject (in the case of Class B, Class C Notes and Class D Notes) to deferral as discussed herein. Interest will accrue on the Aggregate Principal Amount of the relevant Class of Senior Notes as of the beginning of the relevant Periodic Interest Accrual Period (giving effect to any principal payments made on the Payment Date at the beginning of such period). Interest on the Senior Notes will be computed for each Periodic Interest Accrual Period on the basis of a 360-day year and the actual number of days in such Periodic Interest Accrual Period. Interest will cease to accrue on each of the Senior Notes or, in the case of a partial repayment of principal, on such part, from the date of repayment or the Maturity Date unless payment of principal is improperly withheld or unless default is otherwise made with respect to any such payment of principal.

Interest on the Class B Notes, the Class C Notes and the Class D Notes (including interest on Deferred Interest (as defined below) on such Notes) will only be due and payable to the extent that funds are available for such payment in accordance with the operation of the Priority of Payments as described herein, and (except on the Maturity Date or the date of redemption in full of the Class B Notes, the Class C Notes or the Class D Notes) the failure to pay any such interest because such funds are not available will not be an Event of Default under the Indenture so long as any more senior Class of Notes is then Outstanding. Instead, the amount of any interest that is not paid on the Notes of any such Class on any Payment Date will be deferred, and such amounts (the "Deferred Interest") will bear interest at the interest rate for the Notes of such Class. Interest accrued on Deferred Interest for any such Class of Notes for any Periodic Interest Accrual Period will be payable as current interest on the Notes of such Class on the related Payment Date and, to the extent not paid on such Payment Date, will constitute additional Deferred Interest in respect of such Class. Deferred Interest on the Notes of any such Class will be due and payable on the earlier of (i) the first Payment Date on which funds are available and permitted to be used for such purpose in accordance with the Priority of Payments and (ii) the Maturity Date of the Notes of such Class (or, if earlier, the date of redemption in full of the Notes of such Class). See "*—The Indenture and the Collateral Administration Agreement—Events of Default*" for a description of when such non-payment constitutes an Event of Default under the Indenture and the available remedies.

Subject to the availability of funds and to the Priority of Payments, the Senior Notes, unless previously redeemed, will provide for the payment of outstanding principal, if any, on the Maturity Date. See "*—Maturity of the Securities.*"

The Class A-2 Notes are subordinated to the Class A-1 Notes in right of payment of interest and principal. No interest will be payable in respect to the Class A-2 Notes on any Payment Date unless the full amount of interest due in respect of the Class A-1 Notes has been paid on such Payment Date and no principal will be payable in respect of the Class A-2 Notes unless the Aggregate Principal Amount of the Class A-1 Notes has been paid in full. The Class B Notes are subordinated to the Class A Notes in right of payment of interest and principal. No interest will be payable in respect to the Class B Notes on any Payment Date unless the full amount of interest due in respect of the Class A Notes has been paid on such Payment Date and no principal will be payable in respect of the Class B Notes unless the Aggregate Principal Amount of the Class A Notes has been paid in full. The Class C Notes are

subordinated to the Class A Notes and the Class B Notes in right of payment of interest and principal. No interest will be payable in respect to the Class C Notes on any Payment Date unless the full amount of interest due in respect of the Class A Notes and the Class B Notes has been paid on such Payment Date and no principal will be payable in respect of the Class C Notes unless the Aggregate Principal Amount of the Class A Notes and the Class B Notes has been paid in full. The Class D Notes are subordinated to the Class A Notes, the Class B Notes and the Class C Notes in right of payment of interest and principal. No interest will be payable in respect to the Class D Notes on any Payment Date unless the full amount of interest due in respect of the Class A Notes, the Class B and the Class C Notes has been paid on such Payment Date and, except in certain circumstances in which the Class D Coverage Tests are not satisfied, no principal will be payable in respect of the Class D Notes unless the Aggregate Principal Amount of the Class A Notes, the Class B Notes and the Class C Notes has been paid in full.

If a Coverage Test for any Class of Senior Notes is not satisfied as of the Determination Date related to a Payment Date to which such test is applied or if the Rating Agencies have not confirmed the initial ratings of the Senior Notes as of the 30th Business Day after the Ramp-Up End Date (and such confirmation has not been received on or before the Determination Date for a Payment Date), amounts available at the level of the Priority of Payments will be used to redeem Senior Notes on such Payment Date in accordance with the Priority of Payments to the extent necessary to satisfy such Coverage Tests or cause the Rating Agencies to confirm the initial ratings of the Senior Notes, as applicable, thereby reducing amounts available for payments at lower levels of the Priority of Payments. See “—Priority of Payments” and “Security for the Notes—The Coverage Tests.”

Determination of LIBOR

For purposes of determining the Interest Rates, the Co-Issuers will appoint the Trustee as calculation agent (in such capacity, the “Indenture Calculation Agent”). For each Periodic Interest Accrual Period (other than the first Periodic Interest Accrual Period), LIBOR shall be determined by the Indenture Calculation Agent in accordance with the following provisions:

1. On the 2nd Business Day on which commercial banks are open for dealings in deposits in U.S. dollars in the London interbank market (a “London Business Day”) prior to the commencement of a Periodic Interest Accrual Period (each such day, a “LIBOR Determination Date”), LIBOR shall equal the rate, as obtained by the Indenture Calculation Agent for three-month U.S. dollar deposits in Europe, which appears on Telerate Page 3750 (as defined in the Annex to the 2000 ISDA Definitions) as reported by Bloomberg Financial Markets Commodities News, or such page as may replace such Telerate Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date.
2. If, on any LIBOR Determination Date, such rate does not appear on Telerate Page 3750, or such page as may replace such Telerate Page 3750, the Indenture Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to leading banks in the London interbank market for three-month U.S. dollar deposits in Europe in an amount determined by the Indenture Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on such LIBOR Determination Date. If, on any LIBOR Determination Date, at least two of the Reference Banks provide such quotations, LIBOR shall equal such arithmetic mean of such quotations. If, on any LIBOR Determination Date, only one or none of the Reference Banks provides such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in New York City selected by the Indenture Calculation Agent are quoting on the relevant LIBOR Determination Date for three-month U.S. dollar deposits in Europe in an amount determined by the Indenture Calculation Agent by reference to the principal London offices of leading banks in the London interbank market; *provided, however*, that if the Indenture Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, LIBOR shall be determined by the Indenture Calculation Agent in a commercially reasonable manner.

As soon as reasonably possible after 11:00 a.m. (London time) on each LIBOR Determination Date, but in no event later than 11:00 a.m. (London time) on the Business Day immediately following each LIBOR Determination Date, the Indenture Calculation Agent will cause the Interest Rate for each Class of Senior Notes for

the related Periodic Interest Accrual Period, and the amount of interest for such Periodic Interest Accrual Period payable in respect of each U.S. \$100,000 in Aggregate Principal Amount of each such Class of Senior Notes (rounded to the nearest cent, with half a cent being rounded upward) on such related Payment Date to be provided to the Co-Issuers, the Trustee, each Paying Agent, the Irish Stock Exchange (if and for so long as any Class of Securities is listed thereon), the Collateral Manager and, if applicable, Euroclear and Clearstream. The Indenture Calculation Agent will also specify to the Co-Issuers the quotations upon which the Interest Rate for each Class of Senior Notes are based, and in any event, the Indenture Calculation Agent shall notify the Co-Issuers before 5:00 p.m. (London time) on each LIBOR Determination Date that either: (i) it has determined or is in the process of determining the Interest Rate and the Interest Amount for each Class of Senior Notes or (ii) it has not determined and is not in the process of determining any such Interest Rate or Interest Amount, together with its reasons therefor. The determination of the Interest Rate for each Class of Senior Notes by the Indenture Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

LIBOR with respect to the Periodic Interest Accrual Period beginning on the Closing Date will be 5.38046% per annum.

The Income Notes

The Holders of the Income Notes will be entitled to distributions only to the extent that there are proceeds of the Collateral available to be paid under the Indenture in accordance with the Priority of Payments described herein. The Income Notes will not be entitled to a return of a stated principal amount or to receive distributions at a stated rate. To the extent that, following realization of the Collateral, these amounts are insufficient to repay the Aggregate Principal Amount of the Income Notes, no other funds will be available to make such payments.

The Income Notes are subordinate to the Senior Notes and other creditors of the Co-Issuers as provided in the Priority of Payments. No distributions under the Interest Priority of Payments will be payable in respect of the Income Notes unless the full amount of interest due and all other payments with respect to all Senior Notes and all other payments and expenses (other than the Incentive Management Fees) of the Co-Issuers have been paid on such Payment Date pursuant to the Interest Priority of Payments and no distributions under the Principal Priority of Payments will be payable in respect of the Income Notes unless the full amount of interest due on all Senior Notes and the Aggregate Principal Amount of all Senior Notes has been paid in full and all other payments and expenses (other than the Incentive Management Fees) of the Co-Issuers have been paid on such Payment Date pursuant to the Principal Priority of Payments.

If during the Reinvestment Period the Class D Overcollateralization Ratio is less than 102.4 % on a Determination Date related to any Payment Date, 50% of the Interest Proceeds that would otherwise be paid to the Income Notes and certain other subordinated expenses will be diverted to purchase additional Collateral Obligations.

Priority of Payments

Interest Priority of Payments

On each Payment Date, the Trustee will apply Interest Proceeds that are transferred into the Payment Account in the following order of priority (the "Interest Priority of Payments"):

1. to the payment of any accrued and unpaid Administrative Expenses (in the order set forth in the definition thereof) up to the Expense Cap Amount;
2. to the payment to the Collateral Manager of the Senior Management Fee (and any accrued and unpaid Senior Management Fee from any prior Payment Date);
3. to the Holders of the Class A-1 Notes, the Class A-1 Interest Amount;
4. to the Holders of the Class A-2 Notes, the Class A-2 Interest Amount;

5. for any applicable Payment Date following the Ramp-Up End Date, if any Class A Notes are then Outstanding and if either of the Class A Coverage Tests is not satisfied as of the related Determination Date, to make payments on the Class A Notes in accordance with the Note Payment Sequence to the extent necessary to cause both such tests to be satisfied as of the related Determination Date;
6. to the Holders of the Class B Notes, the Class B Interest Amount (excluding, for the avoidance of doubt, any Deferred Interest);
7. for any applicable Payment Date following the Ramp-Up End Date, if any Class A Notes or Class B Notes are then Outstanding and if either of the Class B Coverage Tests is not satisfied as of the related Determination Date, to make payments on the Class A Notes and the Class B Notes in accordance with the Note Payment Sequence to the extent necessary to cause both such tests to be satisfied as of the related Determination Date;
8. to the Holders of the Class B Notes, all accrued and unpaid Deferred Interest with respect to the Class B Notes;
9. to the Holders of the Class C Notes, the Class C Interest Amount (excluding, for the avoidance of doubt, any Deferred Interest);
10. for any applicable Payment Date following the Ramp-Up End Date, if any Class A Notes, Class B Notes or Class C Notes are then Outstanding and if either of the Class C Coverage Tests is not satisfied as of the related Determination Date, to make payments on the Class A Notes, the Class B Notes and the Class C Notes in accordance with the Note Payment Sequence to the extent necessary to cause both such tests to be satisfied as of the related Determination Date;
11. to the Holders of the Class C Notes, all accrued and unpaid Deferred Interest with respect to the Class C Notes;
12. to the Holders of the Class D Notes, the Class D Interest Amount (excluding, for the avoidance of doubt, any Deferred Interest);
13. following the Ramp-Up End Date, if any of the Senior Notes are then Outstanding and if either of the Class D Coverage Tests is not satisfied as of the related Determination Date and (i) if the Class A Coverage Tests, Class B Coverage Tests and Class C Coverage Tests were satisfied without giving effect to payments pursuant to clauses 5, 7 and 10 above), to the payment of accrued and unpaid Deferred Interest with respect to the Class D Notes, and then to redeem the Class D Notes, or (ii) otherwise, to make payments in accordance with the Note Payment Sequence, in the case of either (i) or (ii) to the extent necessary to cause both Class D Coverage Tests to be satisfied as of such Determination Date;
14. to the Holders of the Class D Notes, all accrued and unpaid Deferred Interest with respect to the Class D Notes;
15. in the event that either Rating Agency has not confirmed in writing its rating in effect on the Closing Date on each Class of Senior Notes on or prior to the 30th Business Day following the Ramp-Up End Date (and has not provided such confirmation on or prior to the Determination Date related to the current Payment Date), to make payments in accordance with the Note Payment Sequence until each such rating is confirmed;
16. during the Reinvestment Period, if the Class D Overcollateralization Ratio is less than 102.4 % as of the related Determination Date, to the Collection Account for the purchase of additional Collateral Obligations an amount equal to 50 % of the remaining Interest Proceeds;

17. to the payment to the Collateral Manager of the Subordinate Management Fee (and any accrued and unpaid or deferred Subordinate Management Fee from any prior Payment Date);
18. to the payment of any accrued and unpaid Administrative Expenses (in the order set forth in the definition thereof) to the extent not paid pursuant to clause 1 above;
19. to the Holders of the Income Notes until the Incentive Management Fee IRR Threshold has been met;
20. to the payment to the Collateral Manager of 20% of the remaining Interest Proceeds as an Incentive Management Fee; and
21. the remainder to the Holders of the Income Notes.

Principal Priority of Payments

On each Payment Date, the Trustee will apply Principal Proceeds that are transferred into the Payment Account in the following order of priority (the "Principal Priority of Payments," and together with the Interest Priority of Payments, the "Priority of Payments"):

1. to the payments of amounts referred to in clauses (1)-(12) of the Interest Priority of Payments (in the order set forth therein), to the extent not paid pursuant to the Interest Priority of Payments;
2. following the Ramp-Up End Date, if any of the Senior Notes are then Outstanding and if either of the Class D Coverage Tests is not satisfied as of the related Determination Date, to make payments in accordance with the Note Payment Sequence, to the extent necessary to cause both Class D Coverage Tests to be satisfied as of such Determination Date;
3. to the Holders of the Class D Notes, all accrued and unpaid Deferred Interest with respect to the Class D Notes, to the extent not paid pursuant to the Interest Priority of Payments;
4. in the event that either Rating Agency has not confirmed in writing its rating in effect on the Closing Date on each Class of Senior Notes on or prior to the 30th Business Day after the Ramp-Up End Date (and has not provided such confirmation on or prior to the Determination Date related to the current Payment Date), to make payments in accordance with the Note Payment Sequence until each such rating is confirmed;
5. (1) during the Reinvestment Period, (A) all amounts, other than any Special Redemption Amount, to the Collection Account for investment in Eligible Investments pending reinvestment in additional Collateral Obligations at a later date and for reinvestment in additional Collateral Obligations subject to the Investment Criteria described herein and (B) any Special Redemption Amount, to make payments in accordance with the Note Payment Sequence; and (2) after the Reinvestment Period, (A) any remaining Principal Proceeds that are Unscheduled Principal Payments or Sale Proceeds of Credit Risk Obligations eligible to be reinvested to the Collection Account for investment in Eligible Investments pending reinvestment in additional Collateral Obligations at a later date and for reinvestment in additional Collateral Obligations subject to the Investment Criteria described herein, and (B) all other amounts (I) to make payments in accordance with the Note Payment Sequence and then (II) an amount of remaining Principal Proceeds specified by the Collateral Manager to the exercise of warrants in accordance with the terms of the Indenture;
6. to the payment to the Collateral Manager of the accrued but unpaid Subordinate Management Fee (and any accrued and unpaid or deferred Subordinate Management Fee from any prior Payment Date), but only to the extent not paid in full pursuant to the Interest Priority of Payments;

7. to the payment of Administrative Expenses referred to in clause 18 of the Interest Priority of Payments, but in each case only to the extent not paid in full thereunder;
8. to the Holders of the Income Notes until the Incentive Management Fee IRR Threshold has been met;
9. to the payment to the Collateral Manager of 20% of the remaining Principal Proceeds as an Incentive Management Fee; and
10. the remainder to the Holders of Income Notes.

Except as otherwise stated, determinations to be made within the Priority of Payments will be made giving effect to the payment of all amounts to be paid prior to the clause that requires the determination, and all payments made pursuant to the Interest Priority of Payments on any Payment Date will be deemed to be made prior to all payments, if any, to be made on such Payment Date pursuant to the Principal Priority of Payments. Payments with respect to any Class of Notes will be made to all Holders of Notes of such Class on a *pro rata* basis based on each Holder's holding of such Notes. No Principal Proceeds will be used to pay a subordinated Class on a Payment Date if, after giving effect to such payment, any Coverage Test of a more senior Class of Notes is failing on such Payment Date or would fail as a result of such application of the Principal Proceeds on such Payment Date.

Maturity of the Securities

Unless previously redeemed, the Aggregate Principal Amount of the Senior Notes is scheduled to be repaid, and the final distribution on the Income Notes is scheduled to be made, on the Payment Date scheduled to occur in December 2020 (such date, the "Maturity Date"), in accordance with the Principal Priority of Payments.

Optional Redemption

General

After the end of the Non-Call Period or at any time upon the occurrence and during the continuance of an Tax Event, at the direction of the Collateral Manager (with the consent of a Majority of the Income Notes) or at the direction of a Majority of the Income Notes, the Co-Issuers will redeem the Aggregate Principal Amount of Notes then Outstanding, in whole but not in part (an "Optional Redemption"), at the applicable Redemption Price (including any Deferred Interest), on the next Payment Date following such direction (or if such direction is received less than 45 Business Days prior to a Payment Date, on the next Payment Date thereafter) (the "Optional Redemption Date"), from Principal Proceeds and all other funds available for such purpose in the Collection Account and the Payment Account on the last day of the applicable Collection Period (for such purposes, the "Determination Date"). In such event, the Collateral Manager will, subject to the procedures specified below, direct the sale of all or part of the Collateral in an amount sufficient that the proceeds of sale therefrom and all other funds available for such purpose in the Collection Account and the Payment Account will be at least sufficient to permit the payment of all accrued and unpaid Administrative Expenses, Senior and Subordinate Management Fees, the Redemption Price of all Classes of Senior Notes then Outstanding and all other amounts ranking senior to the Income Notes (other than any Incentive Management Fee) pursuant to the Priority of Payments (collectively the "Minimum Redemption Amount"). If in the Collateral Manager's reasonable determination such proceeds of sale and all other funds available for such purpose in the Collection Account and the Payment Account would not be sufficient to so redeem all Senior Notes and to pay such fees, expenses and amounts, the Optional Redemption will not occur.

Redemption Prices

The redemption price (the "Redemption Price") of each Class of Senior Notes will be (a) 100% of the Aggregate Principal Amount of such Class of Senior Notes to be redeemed plus (b) accrued and unpaid interest thereon (including any accrued and unpaid Deferred Interest with respect thereto) to the Optional Redemption Date. The Redemption Price of the Income Notes will be the *pro rata* share of the proceeds of the Collateral remaining after the payments described above in accordance with "*—Priority of Payments.*"

Optional Redemption Procedures

Notice of an Optional Redemption will be given by first-class mail, postage prepaid, mailed not later than 10 Business Days prior to the applicable Optional Redemption Date, to each Holder of Notes to be redeemed at such Holder's address in the register maintained by the applicable registrar under the Indenture and each Rating Agency. In addition, for so long as any Senior Notes are listed on the Irish Stock Exchange and so long as the rules of such exchange so require, a notice of redemption to the Holders of such Notes shall also be given by publication in the Irish Stock Exchange's Daily Official List. Notes called for redemption must be surrendered at the office of any paying agent (each, a "Paying Agent") appointed under the Indenture in order to receive the Redemption Price. The initial Paying Agents for the Notes will be the Trustee and, so long as any Notes are listed on the Irish Stock Exchange, NCB Stockbrokers Limited (the "Irish Paying and Listing Agent").

The Co-Issuers will have the option to withdraw any such notice of redemption up to the 4th Business Day prior to the scheduled Optional Redemption Date by written notice to the Trustee and the Collateral Manager only if the Collateral Manager is unable to deliver the sale agreement or agreements or certifications as described herein in form satisfactory to the Trustee. If the Co-Issuers so withdraw any notice of redemption or are otherwise unable to complete the Optional Redemption of the Notes, the proceeds received from the sale of any Collateral Obligations and other Collateral sold in contemplation of such Optional Redemption may, during the Reinvestment Period at the Collateral Manager's discretion, be reinvested in accordance with the Investment Criteria described herein.

No Senior Notes may be redeemed unless (i) at least 10 Business Days before the scheduled Optional Redemption Date, the Collateral Manager shall have furnished to the Trustee evidence, in form satisfactory to the Trustee, that the Collateral Manager on behalf of the Issuer has entered into a binding agreement or agreements with a financial or other institution or institutions whose short-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a short-term credit rating from S&P of at least "A-1" and whose short-term unsecured debt obligations have a credit rating from Moody's of at least "P-1" to purchase, not later than the Business Day immediately preceding the scheduled Optional Redemption Date in immediately available funds, all or part of the Collateral Obligations at a purchase price at least equal to an amount sufficient, together with the proceeds of any Collateral Obligations or Eligible Investments maturing (or putable to the issuer thereof at par) on or prior to the scheduled Optional Redemption Date, and any other cash available to be applied to the redemption, to pay the Minimum Redemption Amount or (ii) prior to selling any Collateral Obligations and/or Eligible Investments, the Collateral Manager shall certify to the Trustee that, in its judgment, the aggregate sum of (A) expected proceeds from the sale of Eligible Investments and (B) for each Collateral Obligation, the product of its Principal Balance and its Market Value (expressed as a percentage of its Principal Balance) and its Applicable Advance Rate shall exceed the Minimum Redemption Amount. Any certification delivered as described above will include (1) the prices of, and expected proceeds from, the sale of any Collateral Obligations and/or Eligible Investments and (2) all calculations required as described above.

Notice of redemption shall be given by the Co-Issuers or, upon written request of the Issuer, by the Trustee in the name and at the expense of the Co-Issuers. Failure to give notice of redemption, or any defect therein, to any Holder of any Note selected for redemption shall not impair or affect the validity of the redemption of any other Notes.

Mandatory Redemption

On any applicable Payment Date on which a Coverage Test was not met on the immediately preceding Determination Date, principal payments on the Senior Notes will be made as described under "*Priority of Payments*" and "*Security for the Notes—The Coverage Tests*."

In addition, in the event that any Rating Agency has not confirmed in writing the rating in effect on the Closing Date of any Class of Senior Notes as of a date during the period that begins on the Ramp-Up End Date and ends on and includes the 30th Business Day following the Ramp-Up End Date, and such confirmation has still not been received as of the related Determination Date, principal payments on the Senior Notes will be made on subsequent Payment Dates in accordance with the Priority of Payments or certain other actions may be taken to the extent necessary to achieve such rating confirmation.

Special Redemption

Payments in accordance with the Principal Priority of Payments will be made (which may cause the Senior Notes to be redeemed) if, at any time during the Reinvestment Period, the Collateral Manager at its discretion notifies the Trustee that it has been unable, for a period of 20 consecutive Business Days, to identify additional Collateral Obligations that are deemed appropriate by the Collateral Manager in its discretion for purchase by the Issuer and which would meet the Investment Criteria in sufficient amounts to permit the investment or reinvestment of all or a portion of the Principal Proceeds then in the Collection Account that are otherwise to be invested in additional Collateral Obligations (a “Special Redemption”). On the first Payment Date following the Collection Period in which such notice is given (a “Special Redemption Date”), the Principal Proceeds which cannot be reinvested in additional Collateral Obligations (the “Special Redemption Amount”) will be transferred to the Payment Account for distribution pursuant to the Principal Priority of Payments.

Cancellation

All Notes that are redeemed or paid in full and surrendered for cancellation as described herein will forthwith be canceled and may not be reissued or resold.

Form, Denomination and Registration of the Notes

General

Each Class of Notes, whether issued in certificated or global form, will be issued and transferable in minimum denominations of U.S. \$500,000 and integral multiples of U.S. \$1,000 in excess thereof, except in the case of certain Income Notes held by Knowledgeable Employees as permitted by the Indenture.

Rule 144A Global Notes

The Senior Notes initially sold in the United States or to U.S. Persons (as defined in Regulation S under the Securities Act) pursuant to Rule 144A under the Securities Act will be represented by one or more permanent global notes per Class in definitive, fully registered form without interest coupons (the “Rule 144A Global Notes”). The Rule 144A Global Notes will be deposited with the Trustee as custodian for The Depository Trust Company (“DTC”) and will be registered in the name of Cede & Co. (“Cede”) as nominee of DTC.

All or a portion of an interest in a Rule 144A Global Note may be transferred to a Person taking delivery in the form of an interest in a Rule 144A Global Note in accordance with the applicable procedures of DTC (in addition to the requirements set forth in the Indenture); *provided* that any remaining principal amount of the transferor’s interest in the Rule 144A Global Note shall either equal zero or meet the required minimum denomination. In addition, all or a portion of an interest in a Rule 144A Global Note may be transferred to a person taking delivery in the form of an interest in a Regulation S Global Note or exchanged for an interest in a Regulation S Global Note in accordance with the applicable procedures of DTC, Clearstream and Euroclear (in addition to the requirements set forth in the Indenture); *provided* that the transferor (in the case of a transfer) or the Holder of a Note (in the case of an exchange) will represent that, among other things, the transfer or exchange is being made to a non-U.S. Person in an offshore transaction in accordance with Regulation S and only in a denomination greater than or equal to the required minimum denomination; *provided, further*, that any remaining principal amount of the transferor’s interest in the Rule 144A Global Note shall either equal zero or meet the required minimum denomination.

Any interest in a Rule 144A Global Note that is transferred to a person taking delivery in the form of an interest in a Regulation S Global Note will, upon transfer, cease to be an interest in such Rule 144A Global Note and become an interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to interests in a Regulation S Global Note. Prior to the Exchange Date, an interest in a Rule 144A Global Note may only be exchanged or transferred for an equivalent beneficial interest in the corresponding Temporary Regulation S Global Note.

No service charge will be made for any registration of transfer or exchange of an interest in a Rule 144A Global Note, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Transfers of interests in the Rule 144A Global Notes are subject to certain additional restrictions. In particular, each transferee of an interest in a Rule 144A Global Note will also be deemed to have made certain additional acknowledgments, representations and warranties as provided in the Indenture. See *“Purchase and Transfer Restrictions.”* The Class D Notes may not be purchased by or transferred to a Benefit Plan Investor or any person acting on behalf of or with the assets of a Benefit Plan Investor.

Regulation S Global Notes

The Senior Notes and the Income Notes initially sold to non-U.S. Persons (as defined in Regulation S under the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act will be initially represented by one or more temporary global notes per Class in definitive, fully registered form without interest coupons attached (the “Temporary Regulation S Global Notes”). The Temporary Regulation S Global Notes will be deposited with the Trustee acting as custodian for DTC and will be registered in the name of Cede, as nominee of DTC, for credit to DTC participants holding such position on behalf of Euroclear and Clearstream, for further credit to the respective accounts of Euroclear and Clearstream.

On or after the first Business Day following the 40th day after the later of the Closing Date and the commencement of the offering of the Securities (the “Exchange Date”), interests in a Temporary Regulation S Global Note will be exchangeable for interests in one or more permanent global notes of the same Class in definitive, fully registered form without interest coupons attached (the “Permanent Regulation S Global Notes” and, together with the Temporary Regulation S Global Notes, the “Regulation S Global Notes”, and the Regulation S Global Notes together with the Rule 144A Global Notes, the “Global Notes”) upon certification that the beneficial interests in such Temporary Regulation S Global Security are owned by Persons who are not U.S. Persons.

Interests in the Regulation S Global Notes may be held only through Euroclear or Clearstream.

All or a portion of an interest in a Regulation S Global Note may be transferred to a Person taking delivery in the form of an interest in a Regulation S Global Note in accordance with the applicable procedures of Clearstream or Euroclear (in addition to the requirements set forth in the Indenture); *provided* that any remaining principal amount of the transferor’s interest in the Regulation S Global Notes shall either equal zero or meet the required minimum denominations.

In addition, all or a portion of an interest in a Senior Note in the form of a Regulation S Global Note may be transferred to a Person taking delivery in the form of an interest in a Rule 144A Global Note or exchanged for an interest in a Rule 144A Global Note in accordance with the applicable procedures of DTC, Clearstream or Euroclear (in addition to the requirements set forth in the Indenture) upon receipt by the Trustee of a certificate from the transferor (in the case of a transfer) or the Holder of a Note (in the case of an exchange) in the form provided in the Indenture to the effect that, among other things, the transfer or exchange is to a Person that is both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser, and only in a denomination greater than or equal to the required minimum denominations; *provided* that any remaining principal amount of the transferor’s interest in the Regulation S Global Note shall either equal zero or meet the required minimum denominations. Any such interest in a Senior Note in the form of a Regulation S Global Note that is transferred to a Person taking delivery in the form of a Rule 144A Global Note will, upon transfer, cease to be an interest in such Regulation S Global Note and become an interest in the Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to interests in a Rule 144A Global Note for as long as it remains such an interest.

An interest in an Income Note in the form of a Regulation S Global Security may be transferred to a U.S. Person only in the form of a Certificated Note or exchanged for a Certificated Note only in a denomination equal to or greater than the required minimum denomination and only if the transfer or exchange is to a Person that is both (a) a Qualified Institutional Buyer or an Accredited Investor (provided that in the case of any transfer to an Accredited Investor and if requested by the Issuer or on its behalf, the transferor or the transferee has provided an opinion of counsel to each of the Issuer and the Trustee that such transfer may be made pursuant to an exemption

from registration under the Securities Act and any applicable state securities law) and (b) a Qualified Purchaser or Knowledgeable Employee.

Transfers of interests in the Regulation S Global Notes will be subject to certain additional restrictions. In particular, each transferee of an interest in a Regulation S Global Note will also be deemed to have made certain additional acknowledgments, representations and warranties as provided in the Indenture. See *"Purchase and Transfer Restrictions."* The Class D Notes may not be purchased by or transferred to a Benefit Plan Investor or any person acting on behalf of or with the assets of a Benefit Plan Investor.

To enforce the restrictions on transfers of interests in the Securities, the Indenture permits the Issuer to demand that the purchaser of an interest in a Rule 144A Global Note who is determined not to be a Qualified Institutional Buyer and a Qualified Purchaser sell its interest in such Rule 144A Global Note to a permitted purchaser under the Indenture and, if the purchaser does not comply with such demand within 30 days thereof, the Issuer may sell or cause such purchaser to sell its interest in the Note, on such terms as the Issuer may choose. In addition, the Indenture also permits the Issuer to demand that the purchaser of an interest in a Regulation S Global Note who is determined not to have acquired such beneficial interest in compliance with the requirements of the Indenture sell its interest in such Regulation S Global Note to a permitted purchaser under the Indenture, and, if such purchaser does not comply with such demand within 30 days thereof, the Issuer may sell or cause such purchaser to sell its interest in the Regulation S Global Note on such terms as the Issuer may choose.

Book Entry Registration of the Global Notes

The registered owner of the relevant Global Note will be the only Person entitled to receive payments in respect of the Securities represented by such Global Note, and the obligation of the Co-Issuers to make payments or distributions in respect of such Securities will be discharged by payment to, or to the order of, the registered owner of such Global Note in respect of each amount so paid. No Person other than the registered owner of the relevant Global Note shall have any claim against the Co-Issuers in respect of any payment due on that Global Note. Members of, or participants in, DTC as well as any other Persons on whose behalf such participants may act (including Euroclear and Clearstream and account holders and participants therein) will have no rights under the Indenture with respect to such Global Notes held on their behalf by the Trustee, as custodian for DTC, and DTC may be treated by the Co-Issuers or the Trustee and any agent of the Co-Issuers or the Trustee as the Holder of such Global Notes for all purposes whatsoever. Except in the limited circumstances described in the next paragraph, owners of beneficial interests in the Global Notes will not be entitled to have such Securities registered in their names, will not receive or be entitled to receive definitive physical securities and will not be considered Holders of such Securities under the Indenture.

If (i) DTC notifies the Trustee that it is unwilling or unable to continue as depository for the Global Notes or DTC, Euroclear or Clearstream ceases to be a "Clearing Agency" (as defined in the Exchange Act) registered under the Exchange Act, and a successor depository or clearing agency is not appointed by the Trustee within 90 days after receiving such notice, (ii) as a result of any amendment to or change in the laws or regulations of the Cayman Islands, or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Co-Issuers, the Trustee, or the Paying Agent is required to make any deduction or withholding from any payment in respect of the Global Notes which would not be required if such Global Notes were not represented by a global note or (iii) an Event of Default under the Indenture has occurred and is continuing and has not been waived, the Co-Issuers will issue or cause to be issued notes in registered form and in the form of definitive physical notes in exchange for the applicable Global Notes to the beneficial owners of such Global Notes in the manner set forth in the Indenture.

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

Payments on a Global Note will be made to DTC or its nominee, as the registered owner thereof. The Co-Issuers, the Trustee, the Paying Agent, the Initial Purchaser, the Placement Agent, the Collateral Manager and any of their respective Affiliates will not have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

The Co-Issuers expect that DTC or its nominee, upon receipt of any payment in respect of a Global Note representing a Note held by DTC or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the stated principal amount of such Note as shown on the records of DTC or its nominee. The Co-Issuers also expect that payments by participants to owners of beneficial interests in a Global Note held through the participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. The payments will be the responsibility of the participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in immediately available funds. If the laws of a jurisdiction require that certain persons take physical delivery of securities in definitive form, the ability to transfer beneficial interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of a Person holding a beneficial interest in a Global Note to pledge its interest to a Person or entity that does not participate in the DTC system, or otherwise take actions in respect of its interest, may be affected by the lack of a physical security. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

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

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

DTC has advised the Co-Issuers that it will take any action permitted to be taken by Holders of the Notes only at the direction of one or more participants to whose account with DTC an interest in a Global Note is credited and only in respect of that portion of the principal balance of the applicable Notes as to which the participant or participants has or have given direction.

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a Clearing Agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust

companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures, and the procedures may be discontinued at any time. None of the Co-Issuers, the Trustee or any Paying Agent will have any responsibility for the performance by DTC, Clearstream, Euroclear or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Any purported transfer of a Note not in accordance with the Indenture shall be null and void *ab initio* and shall not be given effect for any purpose whatsoever. However, without prejudice to the rights of the Co-Issuers against any beneficial owner or purported beneficial owner of Securities, nothing in the Indenture, or the Notes, as applicable, shall be interpreted to confer on the Co-Issuers, the Trustee, or any Paying Agent any right against Euroclear to require that Euroclear reverse or rescind any trade completed in accordance with the rules of Euroclear.

Certificated Income Notes

All Income Notes sold in the United States or to U.S. Persons will be issued in the form of definitive, physical certificates in fully registered form without interest coupons ("Certificated Notes").

The Income Notes may be transferred only (1) in the form of a Certificated Note to Qualified Institutional Buyers or Accredited Investors (provided that in the case of any transfer to an Accredited Investor and if requested by the Issuer or on its behalf, the transferor or the transferee has provided an opinion of counsel to each of the Issuer and the Trustee that such transfer may be made pursuant to an exemption from registration under the Securities Act and any applicable state securities law) that in each case are also Qualified Purchasers or Knowledgeable Employees or (2) in the form of an interest in a Regulation S Global Security to non-U.S. Persons in offshore transactions in reliance on Regulation S.. Transfers of Income Notes to a person taking delivery in the form of a Certificated Note may only be effected in accordance with the Indenture by delivery to the Issuer and the Trustee of the required written certifications regarding compliance with applicable transfer restrictions.

Subject to the restrictions on transfer set forth in the Indenture and described below under "*Purchase and Transfer Restrictions*," the Holder of a Certificated Note may transfer or exchange such Note, in whole or in part, by surrendering such Note at the designated office of the Trustee, together with an executed instrument of assignment and a transferee certificate substantially in the form attached to the Indenture. With respect to any Certificated Note properly presented for transfer with all necessary accompanying documentation, the Trustee will deliver to the transferee a Certificated Note (other than in the case of Income Notes transferred in offshore transactions in reliance on Regulation S to non-U.S. Persons taking delivery in the form of interests in a Regulation S Global Security) of the like kind in the principal amount as may be requested. The presentation for transfer of any Certificated Note will not be valid unless made at the designated office of the Trustee or at the office of a transfer agent by the registered Holder of such Note in person, or by a duly authorized attorney-in-fact. The Holder of a Certificated Note will not be required to bear the costs and expenses of effecting any transfer or registration of transfer; *except* that the relevant Holder of such Note will be required to bear (i) the expenses of delivery by other than regular mail (if any) and (ii) if the Issuer or the Trustee so requires, the payment of a sum sufficient to cover any duty, stamp tax or governmental charge or insurance charges that may be imposed in relation thereto.

The Income Notes will not be sold or transferred to purchasers that have represented that they are Benefit Plan Investors or Controlling Persons to the extent that such sale would result in Benefit Plan Investors owning 25% or more of the Income Notes (excluding Income Notes held by Controlling Persons). *See "Certain ERISA Considerations."*

The Indenture and the Collateral Administration Agreement

Reports

Monthly Reports. Commencing in April 2007 pursuant to the Indenture, the Issuer will compile and provide or make available to the Trustee, the Collateral Manager, the Rating Agencies and the Holders of the Notes a monthly report (other than for a month in which a Payment Date occurs) containing certain information specified in the Indenture regarding sources and uses of funds, the Collateral Obligations, the Trust Accounts, the Coverage Tests, Eligible Investments and the Collateral.

Payment Date Valuation Reports. For each Payment Date (including the Maturity Date), pursuant to the Indenture, the Issuer will provide or make available to the Trustee, the Collateral Manager, the Rating Agencies and the Holders of the Notes an accounting specified in the Indenture with respect to the Collateral, including calculations of the Coverage Tests and Interest Rates for each Class of Senior Notes for such Payment Date.

Closing Date Statement by Independent Accountants

Independent certified public accountants of recognized national reputation selected by the Issuer will be required to deliver as of the Closing Date as a condition to closing a statement in form and substance acceptable to the Issuer with a copy to the Trustee and the Collateral Manager (i) confirming certain information with respect to each Initial Collateral Obligation and (ii) providing calculations of each criterion of the Portfolio Profile Test and the Collateral Quality Test and specifying the procedures undertaken by them to review data and computations relating to the foregoing.

Modification of Indenture

The Co-Issuers and the Trustee may enter into supplemental indentures without obtaining the consent of any Holders of the Notes in order to:

- (i) evidence the succession of any Person to the Co-Issuers and the assumption by any such successor of the covenants of the Co-Issuers in the Securities and the Indenture or to change the name of either of the Co-Issuers;
- (ii) provide for definitive Notes as contemplated by the Indenture;
- (iii) add to the covenants of the Co-Issuers for the benefit of the Holders of the Notes;
- (iv) pledge any additional property to or with the Trustee;
- (v) evidence and provide for the acceptance of appointment by a successor trustee and to add to or change any of the provisions of the Indenture as shall be necessary to facilitate the administration of the Collateral by more than one trustee;
- (vi) correct or amplify the description of any property at any time subject to the lien of the Indenture;
- (vii) cure any ambiguity or typographical or other error, or correct any defect or inconsistency arising under the Indenture or in connection with any other transaction document or conform the Indenture to this Offering Circular;
- (viii) make any change required by the Irish Stock Exchange or any other stock exchange or listing authority in order to permit or maintain the listing of any Securities thereon;
- (ix) modify the restrictions on and procedures for resale and other transfer of any Securities, so long as any such modifications comply with the Securities Act, the Investment Company Act, ERISA and other applicable laws and any additional transfer restrictions imposed are reasonably necessary to comply with such laws (or any applicable exemption therefrom);

- (x) accommodate the settlement of the Senior Notes in book-entry form through facilities of a depository or otherwise;
- (xi) take any action necessary or helpful to prevent the Issuer or the Trustee from becoming subject to any withholding or other taxes or assessments or to reduce the risk that the Issuer will be engaged in a United States trade or business or otherwise subject to United States federal income tax on a net income basis;
- (xii) prevent the Issuer from becoming an investment company or being required to register as an investment company under the Investment Company Act;
- (xiii) enter into or accommodate the execution of any contract relating to a Synthetic Security or a Structured Finance Obligation (including posting collateral under a Synthetic Security);
- (xiv) provide for additional or modified reports to Holders of Notes, *provided* that any such modified report does not reduce in any material respect the content of reports required to be provided to the Holders of Notes under the Indenture; or
- (xv) amend, modify or change the Grid Test (or any related definitions); *provided* that in the case of this clause (xv) the Holders of at least 66 2/3% of the Class A-1 Notes (if then Outstanding) consent to such amendment, modification or change;

provided that, in each case, the Collateral Manager shall have consented to such supplemental indenture and the Trustee shall have provided prior written notice of any such proposed supplemental indenture to each Rating Agency and received Rating Confirmation for that supplemental indenture; *provided, further*, that the Trustee may, with the consent of the Holders of 100% of the Aggregate Principal Amount of each Class of Senior Notes affected thereby, enter into any such supplemental indenture notwithstanding any qualification, downgrade or withdrawal of the then-current ratings of any such Class of Senior Notes.

In addition, in the event any Rating Agency modifies the definitions or calculations relating to (i) the method of calculating any of its respective Collateral Quality Tests (a "Collateral Quality Test Modification") or (ii) any of the Coverage Tests (a "Coverage Test Modification"), in either case in order to correspond with published changes in the guidelines, methodology or standards established by such Rating Agency, the Issuer may, but is under no obligation to, incorporate corresponding changes into the Indenture by an amendment thereto without the consent of the Holders of the Notes if, in the case of a Collateral Quality Test Modification, consent is obtained from the Rating Agency that made such modification or, in the case of a Coverage Test Modification, consent is obtained from each Rating Agency then rating the Notes.

In addition, with the consent of the Collateral Manager and a Majority of each Class of Notes materially adversely affected thereby, and receipt of Rating Confirmation for such action, the Co-Issuers and the Trustee may enter into a supplemental indenture to add any provisions to, or change in any manner or eliminate any provisions of, the Indenture or modify in any manner the rights of the Holders of the Notes of such Class under the Indenture; *provided* that the Co-Issuers and the Trustee may, with the consent of the Holders of 100% of the Aggregate Principal Amount of each Class of Senior Notes affected thereby, enter into any such supplemental indenture notwithstanding that either Rating Agency has stated that such supplemental indenture will result in a qualification, downgrade or withdrawal of its then-current ratings of such Class of Senior Notes. However, without the consent of the Holders of each Outstanding Security materially and adversely affected thereby and without receipt of Rating Confirmation for such supplemental indenture or a waiver of such Rating Confirmation by the Holders affected thereby, no supplemental indenture may:

- (i) change the maturity of any Security or the principal of, or the interest on any Security or reduce the principal amount thereof or the rate of interest thereon or change the time or amount of any other amount payable in respect of any Security;
- (ii) reduce the percentage of the Aggregate Principal Amount of Securities, the consent of the Holders of which is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture;

- (iii) permit the creation of any lien ranking prior to or on parity with the lien of the Indenture with respect to any part of the Collateral or terminate the lien of the Indenture except as otherwise permitted by the Indenture;
- (iv) reduce the percentage of the Aggregate Principal Amount of Notes the consent of the Holders of which is required to direct the Trustee to liquidate the Collateral;
- (v) modify any of the provisions of the Indenture with respect to supplemental indentures or waiver of Events of Default and their consequences except to increase the percentage of the Aggregate Principal Amount of Notes, the consent of the Holders of which is required for any such action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the Holders of each Outstanding Note affected thereby;
- (vi) modify the provisions of the Priority of Payments or the definitions of the terms "Holder" or "Outstanding;" or
- (vii) modify any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of principal of or interest on or other amount payable in respect of any Security or to affect the right of the Holders of the Notes to the benefit of any provisions for the payment of such Securities contained therein.

No supplemental indenture will be effective without the consent of the Collateral Manager, which consent shall not be unreasonably withheld (it being understood that it shall be reasonable for the Collateral Manager to withhold its consent to any supplemental indenture that creates, supplements, modifies, limits or eliminates any provision thereof affecting the fees, duties, rights, discretion, judgment, liability, conduct, care or role of the Collateral Manager or any of the purchase or sale restrictions, Collateral Quality Tests or Coverage Tests set forth in the Indenture).

Events of Default

An event of default ("Event of Default") is defined in the Indenture as being any of the following events:

1. a default in the payment, when due and payable, of the Interest Amount on any Class of Senior Notes, which default in each case shall continue for a period of 5 Business Days or, if due solely to an administrative error or omission by the Trustee or any paying agent, for a period of 7 Business Days; *provided* that (except on the Maturity Date or date of redemption in full of the Class B Notes, the Class C Notes or the Class D Notes) the failure to pay the Interest Amount on any of the Class B Notes, the Class C Notes or the Class D Notes, as the case may be, because insufficient funds are available in accordance with the Priority of Payments will not constitute an Event of Default, so long as any more senior Class of Notes then remains Outstanding;
2. a default in the payment of principal of any Senior Note on the Maturity Date or Optional Redemption Date, as applicable; *provided* that, in the case of a default in such payment due solely to an administrative error or omission by the Trustee or any paying agent, such default continues for a period of 5 Business Days;
3. a failure to disburse, within 5 Business Days following any Payment Date or Maturity Date or Optional Redemption Date (or, in the case of a failure solely due to an administrative error or omission by the Trustee or any paying agent, within 7 Business Days), amounts available in accordance with the Interest Priority of Payments or Principal Priority of Payments, as applicable;
4. either the Co-Issuers or the pool of Collateral becomes an investment company required to be registered under the Investment Company Act and, if such requirement is capable of being eliminated, such requirement has not been eliminated after a period of 45 days;
5. except as otherwise provided in this definition of "Event of Default," a default in any material respect in the performance, or material breach, of any other covenant, warranty or other agreement of the Co-Issuers under the Indenture (*provided* that, without limiting the generality of the

foregoing, any failure to meet any Coverage Test, the Collateral Quality Test or the Portfolio Profile Test is not an Event of Default except to the extent provided in clause 7 below), or the failure of any material representation or warranty of the Co-Issuers made in the Indenture or in any certificate or other writing delivered pursuant to or in connection with the Indenture to be correct in all material respects when the same shall have been made, which default, breach or failure would have a material adverse effect on the Holders or beneficial owners of the Notes and continuance of such default, breach or failure for a period of 30 days after written notice shall have been given as provided in the Indenture to the applicable Co-Issuers and the Collateral Manager by the Trustee or to the applicable Co-Issuers, the Collateral Manager and the Trustee by the Holders of at least 25% of the Aggregate Principal Amount of the Controlling Class specifying such default, breach or failure and requiring it to be remedied and stating that such notice is a “Notice of Default” under the Indenture;

6. certain events of bankruptcy, insolvency, receivership or reorganization of either of the Co-Issuers (as set forth in the Indenture); or
7. on any Determination Date, failure to maintain the EOD Ratio at 100% or higher.

An event of insolvency (and, therefore, an Event of Default of the type described in clause 6 above) could result if a decree or order is entered adjudging the Issuer or Co-Issuer as bankrupt or insolvent, or approving a petition seeking reorganization, arrangement, adjustment or composition of the Issuer or Co-Issuer or an involuntary petition against the Issuer or the Co-Issuer seeking the foregoing is filed and is not dismissed or stayed within 60 days. The filing of a petition against the Issuer or the Co-Issuer under applicable bankruptcy law could adversely affect the rights of the Holders of the Notes to receive timely payments in respect of the Securities. Each of the other parties to the transaction, however, will covenant that it shall not, prior to the date that is one year (or, if longer, the applicable preference period under applicable insolvency law) and one day after the termination of the Indenture, take any action to have the Issuer or Co-Issuer placed into bankruptcy.

If an Event of Default under the Indenture (other than an Event of Default of the type described in clause 6 above) occurs and is continuing, the Trustee shall at the written direction of the Requisite Noteholders declare the principal of and any accrued interest on the Notes to be immediately due and payable. If an Event of Default of the type described in clause 6 above occurs, the principal of and accrued interest on the Notes automatically shall become immediately due and payable without any action of the Trustee or any other Person. The Requisite Noteholders may rescind a declaration of acceleration if the Event of Default has been cured and certain other conditions are satisfied. Subject to the next succeeding paragraph, upon any acceleration of the Notes, the Requisite Noteholders shall have the right to direct the Trustee to exercise the remedies provided for in the Indenture.

If an Event of Default has occurred and is continuing, the Trustee will retain the Collateral intact and collect all payments in respect of the Collateral and continue making payments in the manner described under “*Description of the Notes—Priority of Payments*” above, unless the Notes have been accelerated and either (i) the Trustee determines that the anticipated proceeds of a sale or liquidation of the Collateral (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to discharge in full the amounts then due (or, in the case of interest, accrued) and unpaid on the Senior Notes for principal and interest (including Deferred Interest), and all amounts payable prior to payment of principal on such Senior Notes pursuant to the Priority of Payments and the Requisite Noteholders and the Collateral Manager agree with such determination; or (ii) a Majority of each Class of Senior Notes Outstanding directs the sale and liquidation of the Collateral.

Rights Under the Indenture

Except as provided herein in the case of the Requisite Noteholders, no Holder of any Note will have any right to institute any proceedings (judicial or otherwise) with respect to the Indenture, or to appoint a receiver or trustee or to seek any other remedy thereunder unless: (i) such Holder previously has given written notice to the Trustee of a continuing Event of Default, (ii) the Holders of at least 25% of the Aggregate Principal Amount of the most senior Class of Notes then Outstanding have made written request to the Trustee to institute such proceedings in respect of such Event of Default in its own name as Trustee under the Indenture and such Holder or Holders have offered the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in complying with

such request as provided in the Indenture, (iii) the Trustee for 30 days after its receipt of such notice, request and offer of indemnity or security, has failed to institute such proceedings and (iv) if Holders of 50% or less of the Aggregate Principal Amount of the Controlling Class have requested initiation of proceedings, no written direction inconsistent with such written request has been given to the Trustee during such 30-day period by the Holders of at least 25% of the Aggregate Principal Amount of the Controlling Class. Any such proceedings will be subject to the limitations on the liquidation of the Collateral described above.

References to the most “senior” Class of Notes shall refer first to the Class A-1 Notes, so long as any Class A-1 Notes remain Outstanding, then to the Class A-2 Notes, so long as any Class A-2 Notes remain Outstanding, then to the Class B Notes, so long as any Class B Notes remain Outstanding, then to the Class C Notes, so long as any Class C Notes remain Outstanding, then to the Class D Notes, so long as any Class D Notes remain Outstanding, and then to the Income Notes.

No Holder of Income Notes shall be entitled to institute proceedings or to seek any other remedy under the Indenture unless all of the Senior Notes have been redeemed in full.

Satisfaction and Discharge of the Indenture

Subject to certain limitations, the Indenture will be discharged and will cease to be of further effect with respect to the obligations of the Co-Issuers under the Securities and the Collateral when all Securities have been delivered to the Trustee for cancellation (with certain limitations), the Co-Issuers have paid or caused to be paid all amounts payable under the Indenture and no other amount will become due and payable by the Co-Issuers, and certain other requirements have been fulfilled.

Trustee and Collateral Administrator

Wells Fargo Bank, National Association will be the Trustee under the Indenture for the Notes and the Collateral Administrator under the Collateral Administration Agreement. The Co-Issuers, the Initial Purchaser, the Placement Agent, the Collateral Manager and their respective Affiliates may maintain other banking relationships in the ordinary course of business with the Trustee and the Collateral Administrator. The Trustee, the Collateral Administrator and/or its Affiliates may receive compensation in connection with the Trustee’s investment of assets in certain Eligible Investments as provided in the Indenture. Pursuant to the Collateral Administration Agreement with the Issuer and the Collateral Manager (the “Collateral Administration Agreement”), Wells Fargo Bank, National Association, as Collateral Administrator will perform various functions including assisting the Issuer and the Collateral Manager in the compilation and delivery of reports described under “—Reports.” In such activities, the Collateral Administrator will be assisted by the Collateral Manager, and will rely upon certain data and information provided by the Collateral Manager on its behalf and will not independently verify such data or information so provided.

The fees and expenses of the Trustee relating to the Notes are payable out of the Collateral. As compensation for the performance of its obligations under the Indenture, the Trustee will receive a fee (the “Trustee Fee”) and as compensation for the performance of its obligations under the Collateral Administration Agreement, the Collateral Administrator will receive a fee (the “Collateral Administrator Fee”) each payable on each Payment Date, and to the extent there are not sufficient funds available therefor on any Payment Date, on a subsequent Payment Date. The Trustee Fee and the Collateral Administrator Fee will accrue if unpaid (but without the accrual of any interest thereon) and be payable on the next Payment Date on which funds are available therefor in accordance with the Priority of Payments. The Trustee will also receive reimbursement for expenses incurred by it in any Collection Period, other than those included within the Trustee Fee, in carrying out the provisions of the Indenture (the “Trustee Expenses”). The Collateral Administrator will also receive reimbursement for expenses incurred by it in any Collection Period, other than those included within the Collateral Administrator Fee, in carrying out the provisions of the Collateral Administration Agreement (the “Collateral Administrator Expenses”). Trustee Expenses and the Collateral Administrator Expenses will be payable on the Payment Date related to each such Collection Period, and to the extent there are not sufficient funds available therefor on any Payment Date, on a subsequent Payment Date in accordance with the Priority of Payments.

The Trustee Fees, Trustee Expenses, Collateral Administrator Fees and Collateral Administrator Expenses are included in Administrative Expenses under the Priority of Payments (*see* “—*Priority of Payments*”).

The Trustee may resign at any time upon providing 30 days’ prior written notice to the Co-Issuers, the Holders of the Notes, the Collateral Manager and each Rating Agency. The Trustee may be removed at any time (i) by the Requisite Noteholders if an Event of Default has occurred and is continuing or (ii) as more fully set forth in the Indenture, by the Co-Issuers in the event of certain bankruptcy or insolvency events with respect to the Trustee or if the Trustee shall become incapable of acting. No resignation or removal of the Trustee shall become effective until the acceptance of appointment by a successor Trustee. In certain circumstances specified in the Indenture, if a successor Trustee has not been appointed by the Co-Issuers, the retiring Trustee or any Holder of a Note may petition any court of competent jurisdiction for the appointment of a successor Trustee. In addition, the Indenture contains provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with its duties under the Indenture.

Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

SECURITY FOR THE NOTES

The “Collateral” securing the Notes will consist of all of the Issuer’s right, title and interest in, to and under, in each case, whether owned or existing on the Closing Date or thereafter acquired or arising, all of the following: (i) Collateral Obligations and Eligible Investments acquired with the net proceeds from the issuance of the Securities and from time to time thereafter with other amounts received by the Issuer in respect of the Collateral, (ii) funds on deposit in certain accounts established under the Indenture, (iii) the rights of the Issuer under the Indenture, the Collateral Management Agreement and the Collateral Administration Agreement and (iv) certain payments or distributions received in respect of the Collateral Obligations and Eligible Investments; *provided* that the Collateral will not include the Excluded Property. The composition of the Collateral Obligations will be determined by the Collateral Manager, subject to the limitations of the Indenture and the Collateral Management Agreement.

Collateral Obligations

An obligation will be eligible for purchase by the Issuer and pledge to the Trustee as a Collateral Obligation if it is, as of the date of its purchase by the Issuer (or entry into a commitment to purchase by the Issuer), (i) a Term Loan or a participation in a Term Loan, (ii) a Revolving Loan or a participation in a Revolving Loan, (iii) a Structured Finance Obligation, (iv) a Bond or (v) a Synthetic Security (provided that, in the case of (i), (ii), (iii) or (iv), such obligation, and in the case of (v), the relevant underlying obligation and, where indicated, the Synthetic Security itself) also satisfies the following criteria (the “Collateral Obligation Eligibility Criteria”) as of such date:

1. The obligation is denominated and payable only in U.S. Dollars.
2. The terms of the obligation do not provide for such obligation to be converted or exchanged at any time into any Equity Security or any other security or asset that is characterized as equity for U.S. federal income tax purposes.
3. The obligation (a) has a Moody’s Rating (including any estimated or confidential rating which is in respect of the full obligation of the Obligor and which is monitored) and (b) has an S&P Rating (including any confidential rating which is in respect of the full obligation of the Obligor and which is monitored and in relation to which consent to disclosure has been provided to S&P by the related Obligor), which S&P Rating does not have a “p”, “pi”, “q”, “r”, or “t” subscript.
4. The obligation is not a Defaulted Obligation, Equity Security or Credit Risk Obligation.
5. The related Obligor is the borrower, issuer or guarantor in respect of such obligation.
6. The obligation (other than a Bond or Structured Finance Obligation) is not subordinated by its terms to other indebtedness for borrowed money of the applicable Obligor; *provided* that, for the avoidance of doubt, this clause will not prohibit the purchase of Subordinated Lien Loans or unsecured Loans.
7. The obligation (a) bears simple interest payable in cash no less frequently than annually at a fixed or floating rate that is paid on a periodic basis on an unleveraged basis and, in the case of a floating rate, computed on a benchmark interest rate plus or minus a spread, if any (which may vary under the terms of the obligation) and (b) does not by its terms permit the deferral of the payment of interest in cash thereon, including, without limitation, by providing for the payment of interest through the issuance of additional debt securities identical to such debt security or through additions to the principal amount thereof for a specified period in the future or for the remainder of its life or by capitalizing interest due on such debt security as principal (except in the case of a PIK Obligation). With respect to an obligation that provides for the payment of interest at a floating rate, such floating rate is determined by reference to the U.S. Dollar prime rate or other base rate, London interbank offered rate or similar interbank offered rate, commercial deposit rate or any other index for which Rating Confirmation has been received.
8. The obligation is not subject to an outstanding offer to be acquired, exchanged or tendered.

9. Except in the case of a Synthetic Security, the obligation provides for payment of a fixed amount of principal payable in cash according to a fixed schedule (which may include optional call dates) and at stated maturity thereof. The payment or repayment of the principal, if any, of the obligation is not an amount determined by reference to any formula or index or subject to any contingency under the terms thereof (except in the case of a Synthetic Security).
10. The obligation will not subject the Issuer, with respect to payments due under its terms or proceeds of its disposal, to a withholding tax (other than withholding taxes with respect to commitment and similar fees associated with Collateral Obligations constituting Revolving Loans or participations in Revolving Loans), unless the obligor or issuer must make additional payments so that the net amounts received by the Issuer after satisfaction of such tax is the amount due to the Issuer before the imposition of any such withholding tax.
11. The Obligor is Domiciled in an Eligible Country.
12. The obligation is not a Loan that is an obligation of a debtor in possession or a trustee for a debtor in an insolvency proceeding other than a Current Pay Obligation or a DIP Loan.
13. In the case of an obligation that is a participation in a Term Loan or Revolving Loan, the participation seller has an issuer credit rating (long-term senior unsecured rating) by Moody's of at least "A3" and an issuer credit rating (long-term senior unsecured rating) by S&P of at least "A".
14. The obligation does not constitute Margin Stock or a Margin Loan.
15. The obligation is not a Zero-Coupon Obligation or a Step-up Obligation.
16. In the case of a Synthetic Security, the Synthetic Security Counterparty or issuer, as the case may be, has a long-term senior unsecured rating by Moody's of at least "A1", and if rated "A1" by Moody's, such rating is not on watch for downgrade, and a long-term senior unsecured rating by S&P of at least "A+".
17. The obligation is treated for U.S. federal income tax purposes as indebtedness.
18. In the case of an obligation issued by a U.S. obligor, the obligation is in registered form within the meaning of Sections 871(h)(2)(B)(i) and 881(c)(2)(B)(i) of the Code.
19. The obligation will not cause the Issuer to be deemed to have participated in the negotiation of the terms of a primary loan origination for U.S. tax purposes.
20. In the case of a PIK Obligation (other than a Partial PIK Obligation), no interest has been deferred or capitalized with respect thereto.
21. In the case of a Structured Finance Obligation, neither the Collateral Manager nor any of its Affiliates is an investment manager or investment adviser for the issuer thereof.
22. The obligation is eligible under its Reference Instrument to be purchased by the Issuer and pledged to the Trustee.

The Collateral Quality Test

The "Collateral Quality Test" will be satisfied if, as of any date of determination, in the aggregate, the Collateral Obligations owned (or, if the Collateral Quality Test is applied in connection with a proposed purchase of a Collateral Obligation, proposed to be owned) by the Issuer comply with all of the requirements set forth below:

- (i) The Grid Test is satisfied;
- (ii) The Weighted Average Life Test is satisfied;

- (iii) The S&P Weighted Average Recovery Rate is at least 54.50%;
- (iv) The Moody's Weighted Average Recovery Rate is at least 44.25%;
- (v) The Weighted Average Fixed Coupon is at least equal to 7.25% per annum; and
- (vi) The S&P CDO Monitor Test is satisfied.

Notwithstanding the foregoing, the Collateral Quality Test will not apply during the Ramp-Up Period.

Except as otherwise described herein or in the Indenture, Defaulted Obligations will not be included in the calculation of the Collateral Quality Test.

The Portfolio Profile Test

The "Portfolio Profile Test" will be satisfied if, as of any date of determination at, or subsequent to, the end of the Ramp-Up Period, in the aggregate, the Collateral Obligations owned (or, if the Portfolio Profile Test is applied in connection with a proposed purchase of a Collateral Obligation, proposed to be owned) by the Issuer comply with all of the requirements set forth below:

- (i) The Aggregate Principal Balance of Collateral Obligations that are Caa Collateral Obligations may not exceed 7.5 % of the Collateral Principal Amount and the Aggregate Principal Balance of Collateral Obligations that are CCC Collateral Obligations may not exceed 7.5% of the Collateral Principal Amount;
- (ii) The Aggregate Principal Balance of the Collateral Obligations of a single Obligor may not exceed 2 % of the Collateral Principal Amount;
- (iii) The Aggregate Principal Balance of the Collateral Obligations with Obligors with a Domicile in (i) Canada or any single country that is a Moody's Group I Country may not exceed 10% of the Collateral Principal Amount; (ii) any single country that is a Moody's Group II Country may not exceed 5% of the Collateral Principal Amount; (iii) any single country that is a Moody's Group III Country or Group IV Country may not exceed 2.5% of the Collateral Principal Amount; (iv) a Moody's Group II Country or Moody's Group III Country in the aggregate may not exceed 10% of the Collateral Principal Amount; and (v) a Moody's Group IV Country in the aggregate may not exceed 5% of the Collateral Principal Amount;
- (iv) The Aggregate Principal Balance of the Collateral Obligations with Obligors with a Domicile other than in the United States may not exceed 20% of the Collateral Principal Amount; and the Aggregate Principal Balance of Collateral Obligations with Obligors organized in a Tax Advantaged Jurisdiction may not exceed 5% of the Collateral Principal Amount;
- (v) The Aggregate Principal Balance of the Collateral Obligations that are Revolving Loans may not exceed 10% of the Collateral Principal Amount;
- (vi) The Aggregate Principal Balance of the Collateral Obligations that are First Lien Loans is at least 90% of the Collateral Principal Amount (with amounts on deposit in the Ramp-Up Account and the Principal Collection Subaccount deemed to be invested in First Lien Loans for purposes of this requirement);
- (vii) The Aggregate Principal Balance of the Collateral Obligations that bear interest at a fixed rate may not exceed 5% of the Collateral Principal Amount;
- (viii) The Aggregate Principal Balance of Collateral Obligations that are Synthetic Securities, Collateral Obligations that are participations and Collateral Obligations of Obligors with a Domicile in a country rated below "AA" by S&P may not exceed 20% of the Collateral Principal Amount;
- (ix) The Aggregate Principal Balance of the Collateral Obligations that do not pay interest at least as frequently as quarterly may not exceed 5% of the Collateral Principal Amount;
- (x) The Aggregate Principal Balance of the Collateral Obligations of Obligors in any single Moody's Industry Classification Group may not exceed 8% of the Collateral Principal Amount; *provided*

that the Aggregate Principal Balance of the Collateral Obligations of Obligors in each of three Moody's Industry Classification Group may be up to 12% of the Collateral Principal Amount;

- (xi) The Aggregate Principal Balance of the Collateral Obligations that are DIP Loans may not exceed 7.5% of the Collateral Principal Amount;
- (xii) The Aggregate Principal Balance of the Collateral Obligations that are Current Pay Obligations may not exceed 5% of the Collateral Principal Amount;
- (xiii) The Aggregate Principal Balance of the Collateral Obligations that are Structured Finance Obligations may not exceed 5% of the Collateral Principal Amount;
- (xiv) The Aggregate Principal Balance of the Collateral Obligations that are PIK Obligations (other than Partial PIK Obligations) may not exceed 5% of the Collateral Principal Amount; and the Aggregate Principal Balance of Collateral Obligations that are Partial PIK Obligations may not exceed 5% of the Collateral Principal Amount;
- (xv) The Aggregate Principal Balance of Collateral Obligations that are Loans that are part of a syndicated loan facility that provides for a commitment by the lenders in the aggregate of less than \$100 million may not exceed 10% of the Collateral Principal Amount;
- (xvi) The Aggregate Principal Balance of Collateral Obligations with a final maturity date after the Maturity Date may not exceed 2% of the Collateral Principal Amount;
- (xvii) The Aggregate Principal Balance of Collateral Obligations that are Deep Discount Collateral Obligations may not exceed 5% of the Collateral Principal Amount; and
- (xviii) Except as provided herein, the Aggregate Principal Balance of Synthetic Securities or participation interests with a particular Synthetic Security Counterparty, or selling institution, as the case may be, may not exceed the respective percentage of the Collateral Principal Amount specified below under "Single Counterparty Limit" for the applicable long-term senior unsecured rating by Moody's or S&P Rating of such Synthetic Security Counterparty or selling institution (using the limit for the lower of such ratings, if different), and the Aggregate Principal Balance of all Synthetic Securities or participation interests with all Synthetic Security Counterparties or selling institutions, as the case may be, with a long-term senior unsecured rating by Moody's or S&P Rating at or below a level specified in the table below (using the lower of such ratings for a Synthetic Security Counterparty or selling institution, if different) shall not exceed the percentage of the Collateral Principal Amount specified below under "Aggregate Counterparty Limit" for such rating:

Moody's Rating	S&P Rating	Single Counterparty Limit	Aggregate Counterparty Limit
Aaa	AAA	15%	20%
Aa1	AA+	10%	10%
Aa2	AA	10%	10%
Aa3	AA-	10%	10%
A1	A+	5%	5%
A2	A	3%	3%

Except as otherwise described herein, measurement of the degree of compliance with the Collateral Quality Test and Portfolio Profile Test will be required (i) upon a sale or purchase of Collateral Obligations, (ii) on any Determination Date, (iii) with respect to the date as of which the information in any monthly report prepared under the Indenture is calculated, (iv) with reasonable prior notice, any Business Day requested by any Rating Agency and (v) on the Ramp-Up End Date.

Defaulted Obligations will be excluded for all purposes of calculating the Portfolio Profile Test (except as provided in the definition of Collateral Principal Amount).

For purposes of the Portfolio Profile Test, unless the context otherwise requires or unless otherwise provided in the Portfolio Profile Test, a Synthetic Security will be deemed to have the characteristics of the related Reference Obligation (except that the Moody's Assigned Rating, the Moody's Recovery Rate and the S&P Recovery Rate for the Synthetic Security will be used).

The Coverage Tests

The Coverage Tests will be used primarily to determine whether, on each Payment Date, principal and interest may be paid on the Senior Notes and distributions may be made on the Income Notes or whether funds which would otherwise be used to pay interest (and, in certain cases, principal) on the Senior Notes other than the Class A Notes and to make distributions on the Income Notes must instead be used to pay principal on one or more Classes of Senior Notes according to the priorities referred to in *"Description of the Notes—Priority of Payments."*

The "Overcollateralization Test" and "Interest Coverage Test" applicable to the one or more indicated Classes of Senior Notes will be performed as of each Measurement Date beginning on or, in the case of the Interest Coverage Test, following, the Determination Date relating to the first Payment Date following the Ramp-Up Period. The Overcollateralization Test and the Interest Coverage Test for a designated Class or Classes of Notes will be satisfied as of any Measurement Date if the applicable Overcollateralization Ratio or Interest Coverage Ratio, respectively, is at least equal to the required ratio indicated below. If the Coverage Tests are not satisfied with respect to any applicable Payment Date occurring subsequent to the Ramp-Up Period, the Issuer will be required to apply available amounts on such Payment Date in the Payment Account to make payments of principal on Notes beginning with the most senior Class or Classes of Notes Outstanding (or in certain cases on the Class D Notes only), pursuant to the Priority of Payments described herein, to the extent necessary to achieve compliance with such Coverage Tests.

Class	Required Overcollateralization Ratio
A	112.5%
B	106.9%
C	104.8%
D	101.4%
Class	Required Interest Coverage Ratio
A	120.0%
B	115.0%
C	110.0%
D	105.0%

For the purposes of calculating any Interest Coverage Ratio, scheduled interest payments on the Collateral Obligations will not include any scheduled interest payments on the Collateral Obligations which the Issuer or the Collateral Manager reasonably believes will not be made.

Ramp-Up Period

The Issuer will be required to use commercially reasonable efforts to purchase following the Closing Date or enter into binding agreements to purchase additional Collateral Obligations that, together with the Collateral Obligations purchased on or before the Closing Date (the "Initial Collateral Obligations"), satisfy as of the end of the Ramp-Up Period the Portfolio Profile Test, the Collateral Quality Test and the Coverage Tests and have an Aggregate Principal Balance of at least \$450,000,000 (including any prepayments on Collateral Obligations and sale proceeds of Collateral Obligations that in either case have not yet been reinvested in Collateral Obligations) (collectively, the "Ramp-Up Period Criteria").

The Indenture will provide that the Issuer will use its commercially reasonable efforts to have purchased or to have entered into binding commitments to purchase Collateral Obligations with an Aggregate Principal Balance of a certain minimum amount and satisfying certain characteristics as set forth in the Indenture (the "Interim Targets"). If after the 90th day after the Closing Date (such date, the "Interim Report Date") the Issuer is not

satisfying any applicable Interim Target, the Collateral Manager will provide to each Rating Agency a plan as to how the Issuer will satisfy the Ramp-Up Period Criteria, and until the Collateral Manager has obtained Rating Confirmation for such plan the Issuer must, when purchasing additional Collateral Obligations, maintain or improve each Interim Target that was not satisfied as of the Interim Report Date and continue to satisfy each Interim Target that was satisfied as of such date.

If either Rating Agency does not confirm its initial rating on any Class of Senior Notes as of a date during the period that begins on the Ramp-Up End Date and ends on and includes the 30th Business Day following the Ramp-Up End Date, then the Issuer will be required to use Interest Proceeds (and if Interest Proceeds are insufficient, Principal Proceeds) to redeem the Senior Notes in accordance with the Priority of Payments.

Sales and Purchases of Collateral Obligations

The criteria described under this heading are collectively referred to as the “Investment Criteria.”

Sales of Collateral Obligations

Subject to the requirements set forth in the Indenture and provided that no Event of Default has occurred and is continuing, the Collateral Manager, on behalf of the Issuer, may direct (or, as set forth below, shall direct) the Trustee to sell any Collateral Obligation, Equity Security or other asset, if such sale meets any one of the following requirements:

- (a) The Collateral Manager may direct the Trustee to sell any Credit Risk Obligation, Defaulted Obligation, Credit Improved Obligation, Equity Security or Current Pay Obligation at any time without restriction;
- (b) The Collateral Manager shall use reasonable efforts to sell any Collateral Obligation that was, as of the time of its purchase, ineligible to be held by the Issuer within 10 days of determining that it was so ineligible;
- (c) During the Reinvestment Period, the Issuer may direct the Trustee to sell any Collateral Obligation (other than a Credit Risk Obligation, Credit Improved Obligation, Defaulted Obligation, Current Pay Obligation or Equity Security) if the following conditions are satisfied:
 - (i) The Aggregate Principal Balance of all such Collateral Obligations sold pursuant to this provision in any calendar year may not exceed 25% of the Collateral Principal Amount as of the beginning of such year;
 - (ii) As of the date of such sale, the Collateral Manager reasonably believes that it will be able, within 30 days of such sale, to cause the Trustee to purchase additional Collateral Obligations in accordance with the Indenture with the proceeds of such sales that have an Aggregate Principal Balance at least equal to the Principal Balance of such Collateral Obligation sold; and
 - (iii) The ratings by Moody’s on any Class A Notes are not one or more rating subcategories, and the ratings by Moody’s on any other Class of Senior Notes are not two or more rating subcategories, in each case below the applicable ratings thereof in effect as of the Closing Date or withdrawn by Moody’s (unless a Majority of each Class of Senior Notes has agreed to waive this clause (iii)).

Notwithstanding anything to the contrary herein, the Collateral Manager shall use commercially reasonable efforts to sell any asset of the Issuer that is Margin Stock or a Margin Loan within 30 days of the later of (i) the Issuer’s acquisition of such asset and (ii) such asset’s becoming Margin Stock or a Margin Loan.

The Issuer may, at the direction of the Collateral Manager, participate in certain exchange or similar offers in accordance with the Indenture. Without limiting the foregoing, the Issuer may, at the direction of the Collateral Manager, exchange a Collateral Obligation for another Collateral Obligation in an exchange of one security for another security of the same issuer that has substantially identical terms except transfer restrictions.

Purchases of Collateral Obligations

On any date after the Ramp-Up Period and during the Reinvestment Period, provided that no Event of Default has occurred and is continuing, the Collateral Manager may direct the Trustee to invest available Principal Proceeds (together with Interest Proceeds pursuant to clause (16) of the Interest Priority of Payments and accrued interest received with respect to any Collateral Obligation to the extent used to pay for accrued interest on a Collateral Obligation) in additional Collateral Obligations if the following conditions are satisfied:

- (i) after giving effect to such purchase, the Collateral Quality Test, Portfolio Profile Test and Coverage Tests will be satisfied (or, if any test or criterion therein is not satisfied, such test or criterion will be maintained or improved); *provided*, that in the case of additional Collateral Obligations purchased with Sale Proceeds or any Principal Proceeds of a Defaulted Obligation, each Coverage Test must be satisfied immediately following such purchase;
- (ii) in the case of additional Collateral Obligations purchased with Sale Proceeds of a Credit Risk Obligation or Defaulted Obligation, the Aggregate Principal Balance of such additional Collateral Obligations is at least equal to such Sale Proceeds; and
- (iii) in the case of additional Collateral Obligations purchased with Sale Proceeds of a Credit Improved Obligation, the Aggregate Principal Balance of such additional Collateral Obligations is at least equal to the Principal Balance of such sold Collateral Obligation.

On any date following the Reinvestment Period, the Collateral Manager may direct the Trustee to invest unscheduled principal payments on Collateral Obligations ("Unscheduled Principal Payments") and Sale Proceeds from the sale of Credit Risk Obligations in additional Collateral Obligations, provided that the following conditions are satisfied:

- (i) such Unscheduled Principal Payments and Sale Proceeds are reinvested by the end of the Collection Period following the Collection Period in which such amounts were received;
- (ii) after giving effect to such purchase, the Portfolio Profile Test will be satisfied (or, if any test or criterion therein is not satisfied, such test or criterion will be maintained or improved);
- (iii) the Class D Overcollateralization Test is satisfied immediately following such purchase;
- (iv) the Collateral Quality Test will be satisfied after giving effect to such purchase (or, if any test or criterion therein is not satisfied, such test or criterion will be maintained or improved); *provided* that the Weighted Average Rating and Weighted Average Life Test components of the Collateral Quality Test must be satisfied after giving effect to such purchase and that if the S&P CDO Monitor Test was satisfied prior to such purchase, it must continue to be satisfied thereafter;
- (v) the Aggregate Principal Balance of Caa Collateral Obligations does not exceed 7.5% of the Collateral Principal Amount;
- (vi) in the case of reinvestment of Sale Proceeds, the S&P Rating of each additional Collateral Obligation purchased therewith is not lower than the S&P Rating of the Collateral Obligation sold; and
- (vii) the ratings by Moody's on any Class A Notes are not one or more rating subcategories, and the ratings by Moody's on any other Class of Senior Notes are not two or more rating subcategories, in each case below the applicable ratings thereof in effect as of the Closing Date or withdrawn by Moody's (unless a Majority of each Class of Senior Notes has agreed to waive this clause (vii)).

The Issuer may, at any time during or after the Reinvestment Period, upon the direction of the Collateral Manager, direct the Trustee to pay from available amounts on deposit in the Collection Account any amount required to exercise a warrant held in the Collateral; *provided* that (i) the total aggregate exercise price of warrants that may be exercised shall not exceed U.S. \$20,000,000, (ii) prior to exercise, the Collateral Manager must

reasonably determine that the warrant's inherent value exceeds the exercise price of such warrant and (iii) after the exercise of any warrant the Collateral Manager shall use commercially reasonable efforts to cause the Issuer to direct the Trustee to sell all of the related Equity Securities within 3 Business Days.

Cash on deposit in the Collection Account may be invested at any time in Eligible Investments in accordance with the Indenture pending investment in Collateral Obligations.

The Indenture provides that any sale or purchase by the Issuer of a Collateral Obligation shall be conducted on an arm's length basis. A purchase or sale may be effected with the Collateral Manager or a person Affiliated with the Collateral Manager or any fund or account for which the Collateral Manager or an Affiliate of the Collateral Manager acts as investment adviser only in accordance with the terms of the Collateral Management Agreement.

Issuer Accounts

The Collection and Payment Accounts

All distributions on the Collateral Obligations and any proceeds received from the disposition of any Collateral Obligations will be remitted to a single, segregated account held in the name of the Trustee (the "Collection Account") for the benefit of the Holders of the Notes, and will be available, together with reinvestment earnings thereon, for application to the payment of the amounts set forth under "*Description of the Notes—Priority of Payments*" and for the acquisition of additional Collateral Obligations under the circumstances and pursuant to the requirements described herein and in the Indenture. Two segregated subaccounts will be established within the Collection Account, one of which will be designated the "Interest Collection Subaccount," and one of which will be designated the "Principal Collection Subaccount." All Interest Proceeds received by the Trustee after the Closing Date will be deposited in the Interest Collection Subaccount. All other amounts remitted to the Collection Account will be deposited in the Principal Collection Subaccount.

Amounts received in the Collection Account during a Collection Period will be invested in Eligible Investments with stated maturities no later than the Business Day prior to the Payment Date next succeeding the acquisition of such securities or instruments. All proceeds from the Eligible Investments will be retained in the Collection Account unless used to purchase additional Collateral Obligations in accordance with the Investment Criteria, or used as otherwise permitted under the Indenture. See "*—Sales and Purchases of Collateral Obligations*" and "*Description of the Notes —Priority of Payments.*"

Not later than the Business Day preceding each Payment Date, the Trustee will deposit into a separate account maintained by the Trustee (the "Payment Account") all funds in the Collection Account (other than Principal Proceeds in excess of the amounts required to be applied pursuant to the Priority of Payments) for payments to Holders of the Notes and payments of fees; expenses and other amounts in accordance with the priorities described under "*Description of the Notes —Priority of Payments.*"

The Ramp-Up Account

The net proceeds of the issuance of the Notes remaining after payment of fees and expenses and the funding of the Expense Reserve Account (as described below) and which are not applied to pay for the purchase or refinance of Collateral Obligations purchased by the Issuer on or before the Closing Date (including, without limitation, termination of any participations or other financing arrangements entered into in connection with the purchase of Collateral Obligations prior to the Closing Date) will be deposited on the Closing Date into a separate account with the Trustee (the "Ramp-Up Account"). Of the proceeds of the issuance of the Notes, approximately \$74,000,000 will be deposited in the Ramp-Up Account. On behalf of the Issuer, the Collateral Manager will direct the Trustee, from time to time during the Ramp-Up Period, to use funds held in the Ramp-Up Account to purchase additional Collateral Obligations and invest in Eligible Investments any amounts not used to purchase such additional Collateral Obligations.

The Revolving Reserve Account

Upon the purchase of any Collateral Obligation that is a Revolving Loan, at the direction of the Collateral Manager, the Trustee will deposit into and maintain at all times in a separate account (the "Revolving Reserve Account") in an amount at least equal to the Revolving Funding Reserve Amount. After any amount has been deposited into the Revolving Reserve Account, any payment of principal received with respect to any Revolving Loan (other than a Revolving Loan as to which the commitment to extend additional credit has been terminated) will be deposited into the Revolving Reserve Account to the extent that such deposit would be required to satisfy the Revolving Funding Reserve Amount after giving effect to such payment of principal on such Collateral Obligation. The "Revolving Funding Reserve Amount" means an amount equal to the Aggregate Unfunded Amount of all Revolving Loans. The Principal Proceeds so deposited will be considered part of the purchase price of the Revolving Loan for purposes of the Indenture.

Any funds in the Revolving Reserve Account will be available solely to cover any drawdowns on or funding of the related Revolving Loans or fund any Optional Redemption, as applicable; *provided, however*, that any excess of the amounts on deposit in the Revolving Reserve Account over the Revolving Funding Reserve Amount may be transferred to the Collection Account by the Trustee (upon the direction of the Collateral Manager) from time to time as Principal Proceeds, including upon the sale or maturity of a Revolving Loan or the occurrence of an event of default with respect to a Revolving Loan or any other event or circumstance which results in the irrevocable reduction of the Unfunded Portion under such Revolving Loan.

On the Closing Date, the Issuer will deposit approximately \$1,400,000 from the proceeds of the issuance of the Notes into the Revolving Reserve Account.

The Expense Reserve Accounts

On any Business Day from the Closing Date to the Determination Date relating to the first Payment Date, the Trustee will apply funds from a separate account established with the Trustee, as directed by the Collateral Manager, to pay expenses of the Issuer incurred in connection with the establishment of the Issuer, the structuring and consummation of the Offering and the issuance of the Notes (such account, the "Expense Reserve Account"). The Expense Reserve Account will be funded on the Closing Date from the net proceeds of the offering in an amount of approximately \$10,397,500. On the Determination Date relating to the first Payment Date, all funds in the Expense Reserve Account will be deposited in the Collection Account as Interest Proceeds and/or Principal Proceeds (in the respective amounts directed by the Collateral Manager in its discretion) and the Expense Reserve Account will be closed.

The Synthetic Security Counterparty Account

To the extent that any Synthetic Security requires the Issuer to secure its obligations to the Synthetic Security Counterparty, the Issuer shall direct the Trustee and the Trustee shall establish a segregated non-interest bearing trust account (a "Synthetic Security Counterparty Account") for the Synthetic Security which shall be held in trust for the benefit of the related Synthetic Security Counterparty.

As directed by the Collateral Manager, the Trustee shall deposit into each Synthetic Security Counterparty Account all amounts or securities that are required to secure the obligations of the Issuer in accordance with the related Synthetic Security. The Collateral Manager shall direct any such deposit only during the Reinvestment Period and only to the extent that monies are available for the purchase of Collateral Obligations pursuant to the Indenture. Any income received on amounts in the Synthetic Security Counterparty Account shall, after application in accordance with the relevant Synthetic Security, be withdrawn from the Synthetic Security Counterparty Account and deposited in the Interest Collection Subaccount for distribution as Interest Proceeds.

Upon the occurrence of a credit event or an event of default or a termination event (each as defined in the applicable Synthetic Security) under the related Synthetic Security, amounts in any Synthetic Security Counterparty Account shall be applied to the payment of any amounts payable by the Issuer to the related Synthetic Security Counterparty in accordance with the Synthetic Security. Any excess amounts held in a Synthetic Security

Counterparty Account, or held directly by a Synthetic Security Counterparty, after payment of all amounts owing from the Issuer to the related Synthetic Security Counterparty in accordance with the related Synthetic Security shall be withdrawn from the Synthetic Security Counterparty Account and deposited in the Principal Collection Subaccount or the Custodial Account, as applicable.

Amounts on deposit in any Synthetic Security Counterparty Account shall not be considered Collateral for the purposes of the Coverage Tests, but the Synthetic Security that relates to the Synthetic Security Counterparty Account shall be so considered Collateral of the Issuer.

Synthetic Security Issuer Accounts

If and to the extent that any Synthetic Security requires the Synthetic Security Counterparty (a “Pledgor Counterparty”) to secure its obligations to the Issuer with respect to such Synthetic Security, the Trustee will, on or prior to the date such Synthetic Security is entered into, establish a segregated trust account (each such account, a “Synthetic Security Issuer Account”) into which the Trustee will deposit collateral received from the Pledgor Counterparty to secure its obligations to the Issuer in accordance with the terms of such Synthetic Security.

Income received on amounts on deposit in each Synthetic Security Issuer Account will be withdrawn from such account and, to the extent required by the Synthetic Security, released to the applicable Pledgor Counterparty and otherwise retained in the Synthetic Security Issuer Account.

Upon the occurrence of (A) a credit event or (B) the designation of an “early termination date,” “scheduled termination date” or “termination date” (or substantially similar terms) under the applicable Synthetic Security, amounts contained in the related Synthetic Security Issuer Account will be applied by the Trustee, as directed by the Collateral Manager, acting as agent on behalf of the Issuer, in accordance with the terms of the Synthetic Security, to pay any amounts then due the Issuer. Any excess amounts held in a Synthetic Security Issuer Account, after payment of all amounts owing from the Pledgor Counterparty to the Issuer in accordance with the terms of the Synthetic Security will be withdrawn from such Synthetic Security Issuer Account and released to the Pledgor Counterparty in accordance with the terms of the Synthetic Security.

Amounts contained in any Synthetic Security Issuer Account will not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests or the Coverage Tests, but the Synthetic Security which relates to such Synthetic Security Issuer Account will be so considered an asset of the Issuer.

Custodial Account

The Trustee will establish and maintain a segregated trust account to which the Trustee will from time to time credit Collateral Obligations and certain other Collateral received by it (such account, the “Custodial Account”). All Collateral deposited from time to time in the Custodial Account will be held in trust and will be applied as specified in the Indenture.

THE COLLATERAL MANAGER AND THE COLLATERAL MANAGEMENT AGREEMENT

Under the Collateral Management Agreement to be entered into between the Issuer and the Collateral Manager on the Closing Date, the Collateral Manager will agree to select and manage the Collateral on behalf of the Issuer. The Indenture and the Collateral Management Agreement place significant restrictions on the Collateral Manager's ability to purchase or sell Collateral Obligations and the Collateral Management Agreement will require the Collateral Manager to comply with such restrictions. Accordingly, during certain periods or in certain specified circumstances, the Collateral Manager may be unable to purchase or sell Collateral Obligations or to take other actions that the Collateral Manager might consider in the best interests of the Co-Issuers and the Holders of the Notes. See "*Risk Factors—Certain Conflicts of Interest—Collateral Manager Conflicts of Interest.*"

The Collateral Manager

The Collateral Manager, JCM, was formed under the laws of the State of Delaware on March 19, 2003. JCM is a wholly owned subsidiary of Jefferies Group, Inc., a publicly traded holding company whose securities are traded on the NYSE. Jefferies Group, Inc., together with its subsidiaries (collectively, "Jefferies Group"), is an investment bank and institutional securities firm. Jefferies Group provides clients with capital markets and financial advisory services, institutional brokerage, securities research and asset management. Jefferies Group provides trade execution in equity, high yield and international securities for institutional investors and high net worth investors. Jefferies & Company, Inc. ("Jefferies") is the principal operating subsidiary of Jefferies Group. As of September 30, 2006, Jefferies Group employed over 2,200 employees in offices worldwide. The principal place of business of JCM is 11110 Santa Monica Boulevard, 11th Floor, Los Angeles, California 90025, telephone: 310-914-1252; facsimile: 312-914-1259. As of September 30, 2006, JCM had approximately U.S.\$927 million in assets under management.

Key Personnel

The Collateral Manager will use the services of the people set forth below, although it may not necessarily continue to use their services during the entire term of the Collateral Management Agreement. The key personnel of the Collateral Manager involved in managing and/or servicing the Collateral are:

Mark D. Senkpiel, CFA, is President and Managing Director of JCM. Mr. Senkpiel joined JCM in October of 2002. Mr. Senkpiel established JCM's structured fund management business, was responsible for managing (together with DL Babson) its \$200 million Jackson Creek CDO, which was redeemed in May 2005, and is currently responsible for managing Victoria Falls CLO, Summit Lake CLO and Diamond Lake CLO. Prior to joining Jefferies, he was a Managing Director of Trust Company of the West ("TCW"). He joined TCW in 1996 as a high yield bond portfolio manager in TCW's Leveraged Finance Group. In addition to his role as portfolio manager, Mr. Senkpiel was responsible for structuring and managing TCW's high yield cash flow CDOs. Prior to joining TCW, he was an Investment Director of Allstate Insurance Company where he was responsible for the management of \$1.3 billion in high yield bonds. While at Allstate, Mr. Senkpiel designed and developed the Prime Income Trust, a bank loan mutual fund which had its initial public offering in November 1989. His high yield experience dates back to 1980 when he joined CNA Financial as an Investment Officer. Mr. Senkpiel has also served as a Portfolio Manager at Penmark Investments and, prior to that, as a Securities Analyst at Washington National Insurance Company. Mr. Senkpiel received his BA in Economics from Knox College and his MBA from Roosevelt University. He is a CFA Charterholder.

Wade T. Winter, CFA, is a Senior Vice President of JCM. Mr. Winter joined Jefferies in 2003. Previously, he was a Senior Vice President and Senior Portfolio Manager at Four Corners Capital Management where he was responsible for analyzing investment opportunities in the Gaming, Lodging, Real Estate, Food, Beverage and Tobacco and Entertainment/Leisure-Sports industries. Prior to joining Four Corners, Mr. Winter served as a Vice President at ING Capital Advisors ("ICA") where he managed a \$520 million portfolio of leveraged loans. He has spent the last fourteen years in the leveraged loan market with ICA, Deutsche Bank (formerly Bankers Trust Company), Union Bank of California and Heller Financial and has over twenty years of experience in the financial services industry. Mr. Winter received his MBA in Finance from the Marshall School of Business, University of Southern California and his AB with a double major in Business Administration and Economics from Franklin & Marshall College. He is a member of the CFA Society of Los Angeles, Inc. (CFALA) and the CFA Institute and is a CFA Charterholder.

Richard J. Barger, CFA, is a Senior Vice President of JCM and a member of its credit research team. Mr. Barger joined Jefferies in 2003. Previously, he was a Senior Vice President and Senior Portfolio Manager at Four

Corners Capital Management where he was responsible for the aerospace, chemical, metal and mining, oil and gas and utility industries. Prior to Four Corners, Mr. Barger was a Vice President at ING Capital Advisors where he was responsible for more than \$800 million in leveraged bank loans. Prior to joining ING, Mr. Barger served as a Managing Director at SunAmerica Inc. where he was responsible for more than \$500 million in leverage loans and \$200 million in fixed income investments. Mr. Barger received a BS in Geophysics from Texas A&M University, an MS in Geophysics from Stanford University and an MBA and JD from the University of Southern California. He is a CFA Charterholder.

Jonathan S. David is a Senior Vice President of JCM. Mr. David joined JCM in 2004. Prior to joining JCM, he was a corporate banking officer at both Far East National Bank and City National Bank where he was responsible for negotiating and structuring loans for middle market companies. Previously, Mr. David was a Senior Vice President and Senior Portfolio Manager at Four Corners Capital Management where he was responsible for analyzing the Cable, Telecom-Wireless, Textiles and Apparel and Services and Leasing industries. Previously, Mr. David served as a Vice President at ING Capital Advisors where he was responsible for managing a \$1.0 billion portfolio of senior secured loans. Mr. David received his BS in Business Administration from the University of Southern California.

Alyssa M. Tabora is a Senior Vice President and Chief Compliance Officer of JCM. Ms. Tabora joined JCM in 2003. She is responsible for leading JCM's CDO structuring effort and led the structuring of its Jackson Creek CDO, Victoria Falls CLO, Summit Lake CLO and Diamond Lake CLO. Previously, she was a Vice President at TCW where she was responsible for the structuring and administration of TCW's high yield cash flow CDOs. Ms. Tabora joined TCW in 1996. Ms. Tabora received her BA in Psychology from the California State University and her MA in Psychology from the University of California.

Jeremy C. Johnson joined JCM as an Associate in 2006. Prior to joining JCM, he worked as a senior analyst at RSM EquiCo where he was responsible for performing due diligence and constructing valuation models for middle market companies. Prior to that, he was a financial advisor for Morgan Stanley. Mr. Johnson received a B.A. in Business Economics with a concentration in Financial Accounting from the University of California, Santa Cruz.

David J. McLean-Armour joined JCM as an Associate in 2005. Prior to joining JCM, he worked as an analyst at Alta Group, LLC, a private equity fund manager, and Sterling Johnston Capital Management, L.P., a hedge fund manager, where he was responsible for analyzing potential investments in support of the firms' investment activities. Previously, he was an analyst at Turner Broadcasting System, Inc. Mr. McLean-Armour received a BA in Political Science from Tufts University and an MBA from the University of Southern California.

Sunil Pradhan joined JCM as an Associate in 2006. Prior to joining JCM, he worked as a summer associate in the Technology Investment Banking division of Banc of America Securities. Prior to that, Mr. Pradhan was an analyst at Marin Partners/KMS Investments, a mixed ventures fund, where he was responsible for evaluating investment opportunities. Previously, he worked for iRise Inc., a technology consulting firm, and ValiCert, Inc. a technology provider, in sales and consulting and at Ernst & Young, LLP as a management consultant. Mr. Pradhan received a BS in Electrical Engineering and Computer Science from the University of California, Berkeley and an MBA from the University of Southern California.

Katie D. Bun joined JCM in 2005 as an analyst where she is responsible for CDO operations. Previously, she was at Citicorp Investment Services. Prior to Citicorp, Ms. Bun held internships at Oppenheimer & Company, Merrill Lynch and Sony Pictures Entertainment. Ms. Bun received a B.A. from the University of California, Los Angeles.

The Collateral Management Agreement

The following summary generally describes certain provisions of the Collateral Management Agreement. The summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Collateral Management Agreement.

On the Closing Date, the Issuer and the Collateral Manager will enter into an agreement (the “Collateral Management Agreement”) pursuant to which the Collateral Manager will agree to perform certain administrative and advisory functions with respect to the Collateral. Subject to the terms of the Collateral Management Agreement, the Collateral Manager will select the Initial Collateral Obligations, make decisions and accordingly instruct the Trustee with respect to any acquisition, disposition, sale or tender of Collateral Obligations and Eligible Investments under the Indenture, provide to the Collateral Administrator certain information specified in the Collateral Administration Agreement and review the reports prepared pursuant to the Indenture and the Collateral Administration Agreement. See “Description of the Notes—The Indenture and the Collateral Administration Agreement—Reports.” The Collateral Manager will act under the Collateral Management Agreement as the agent of and on behalf of the Issuer. The Collateral Manager assumes no responsibility under the Collateral Management Agreement other than to render the services called for thereunder and under the terms of the Indenture and the Collateral Administration Agreement expressly applicable to it. Neither the Initial Purchaser nor any affiliate thereof will select any of the Collateral Obligations. See “Risk Factors—Certain Conflicts of Interest—Collateral Manager Conflicts of Interest.”

The Collateral Manager may, in its discretion, exercise any rights or remedies with respect to any Collateral Obligation or Eligible Investment as provided in the related underlying instruments, including, without limitation, any exercise of creditor rights or sitting on any creditors' committee, initiating or participating in lawsuits against the issuer of any Collateral Obligation or Eligible Investment or against any third party who has provided services to the Issuer at the Issuer's expense, or take any other action consistent with the terms of the Collateral Management Agreement and the Indenture.

The Indenture places significant restrictions on the Collateral Manager's ability to buy and sell Collateral, and the Collateral Manager is required to comply with these restrictions contained in the Indenture. Accordingly, during certain periods or in certain specified circumstances, the Collateral Manager may be unable to buy or sell securities or to take other actions which it might consider in the best interest of the Issuer and the Holders of Notes, as a result of the restrictions set forth in the Indenture.

In making determinations as to whether an investment satisfies the definition of Collateral Obligations or complies with the investment criteria and for making other determinations relating to the status or characteristics of an investment, the Collateral Manager is entitled to rely upon such advice of counsel or other advisors as the Collateral Manager determines reasonably appropriate in its sole discretion.

The Collateral Manager or any of its Affiliates, employees or associates may engage in other business and furnish investment management, advisory and other types of services to its Affiliates and other clients whose investment policies differ from, or are the same as, those followed by the Collateral Manager with respect to the Issuer, as required by the Collateral Management Agreement. The Collateral Manager may make recommendations to or effect transactions for such affiliates and other clients which may differ from those effected with respect to the Portfolio. The Collateral Manager and its Affiliates may, and expect to, receive fees or other compensation from third parties for any of these activities, which fees will be for the benefit of their own account and not the Issuer. See “Risk Factors—Certain Conflicts of Interest—Collateral Manager Conflicts of Interest.”

As compensation for the performance of its obligations as Collateral Manager, the Collateral Manager will be entitled to receive a fee, which will accrue quarterly in arrears on each Payment Date, in an amount equal to:

- (i) 0.20% per annum (calculated on the basis of a 360-day year consisting of twelve 30-day months) of the sum of (a) the Aggregate Principal Balance of the Collateral Obligations and (b) without duplication, the amounts on deposit in the Collection Account representing Principal Proceeds and the amount deposited in the Ramp-Up Account (including Eligible Investments therein) (such sum, the “Fee Basis Amount”) at the beginning of the Collection Period relating to such Payment Date (the “Senior Management Fee”),
- (ii) 0.30% per annum (calculated on the same basis as the Senior Management Fee) of the Fee Basis Amount at the beginning of the Collection Period relating to such Payment Date (the “Subordinate Management Fee”) and
- (iii) 20% of the remaining Interest Proceeds and Principal Proceeds at the applicable level of the Priority of Payments, after the Incentive Management Fee IRR Threshold is satisfied, as an

incentive management fee (the “Incentive Management Fee” and together with the Senior Management Fee and the Subordinate Management Fee, the “Management Fee”).

The Management Fee will be paid in accordance with the Priority of Payments. The Senior Management Fee will not accrue interest if not paid when due. The Subordinate Management Fee will not be currently payable on any Payment Date to the extent that sufficient Interest Proceeds or Principal Proceeds are not available in accordance with the Priority of Payments and will be deferred to the next Payment Date. Notwithstanding anything to the contrary herein, the Collateral Manager may elect to defer payment of the Subordinate Management Fee (but not the Senior Management Fee or the Incentive Management Fee), and to the extent it is not paid on any Payment Date as a result of the Collateral Manager’s deferral thereof, the Subordinate Management Fee will accrue interest at a rate of LIBOR for the relevant period.

In the event of the removal of the Collateral Manager, the removed Collateral Manager will continue to be entitled to receive any Senior Management Fee, Subordinated Management Fee and Incentive Management Fee accrued through the date of actual termination of duties whenever such amount is payable pursuant to the Priority of Payments.

The Issuer will be obligated to reimburse the Collateral Manager for certain expenses and other amounts as Administrative Expenses. The Collateral Manager will otherwise be responsible for its ordinary expenses incurred in the course of performing its obligations under the Collateral Management Agreement.

The Collateral Manager, its Affiliates, directors, officers, employees, shareholders, assigns or agents will not be liable to the Issuer, the Trustee or the Holders of the Notes for, and will be entitled to indemnification by the Issuer from and against, any loss incurred as a result of the actions taken or omitted by any such person in the performance of its obligations under the Collateral Management Agreement, the Collateral Administration Agreement or the Indenture, except as may result from acts or omissions constituting bad faith, fraud, willful misconduct or gross negligence in the performance of, or reckless disregard of, its duties and obligations under the Collateral Management Agreement or the Collateral Administration Agreement and under the provisions of the Indenture applicable to it. These indemnification amounts will be Administrative Expenses, which will be paid in accordance with the applicable Priority of Payments.

Any assignment of the Collateral Management Agreement by the Collateral Manager to any Person will be deemed null and void unless such assignment is consented to in writing by the Issuer acting with the consent of the Holders of at least 66 2/3% of the Aggregate Principal Amount of the Income Notes and the Holders of at least 66 2/3% of the Aggregate Principal Amount of the Controlling Class, and the Issuer has received Rating Confirmation; *provided* that pursuant to the Collateral Management Agreement, the Collateral Manager may assign and transfer all (but not less than all) of its rights and responsibilities thereunder, without the consent of the Issuer or any other Person but subject to Rating Confirmation, to any direct or indirect wholly owned subsidiary of the Collateral Manager so long as (i) such subsidiary has a net worth not less than the assigning Collateral Manager and (ii) substantially the same Jefferies employees who acted on behalf of the Collateral Manager immediately prior to the assignment intend to continue in such capacity following the assignment. No such assignment will be effective until the date as of which a successor Collateral Manager has agreed in writing to assume all of the Collateral Manager’s duties and obligations pursuant to the Collateral Management Agreement and as specified in the Indenture.

In addition, the Collateral Manager may, pursuant to the Collateral Management Agreement, enter into arrangements pursuant to which its Affiliates or third parties may perform certain services on behalf of the Collateral Manager, but such arrangements will not relieve the Collateral Manager from any of its duties or obligations thereunder.

Any successor to the Collateral Manager by way of transfer, merger, conversion, consolidation or acquisition of all or substantially all of the Collateral Manager’s asset management business relating to debt securities and loans, will be the successor to the Collateral Manager without any further action by the Collateral Manager, the Issuer or any other Person.

The Collateral Management Agreement provides that the Collateral Manager shall not direct the Trustee to purchase or sell directly any Collateral Obligation or Eligible Investment from or to the (x) Collateral Manager or a person affiliated with the Collateral Manager ("Collateral Manager Parties") or (y) any fund, account or portfolio for which the Collateral Manager or any of its Affiliates acts as investment advisor (collectively, "Related Accounts") unless it is in accordance with the terms of the Collateral Management Agreement and applicable laws and the terms are no less favorable to the Issuer than would be the case in a transaction between third parties unaffiliated with each other; *provided* that in addition to the foregoing, after the Closing Date the Collateral Manager shall not direct the Issuer to acquire an obligation to be included in the Collateral from a Collateral Manager Party (whether as principal or as a broker) or to sell an obligation to a Collateral Manager Party (whether as principal or as a broker) unless (i) the Collateral Manager (A) provides the Issuer with certain information, (B) receives approval of the Issuer's board of directors for such transaction and (C) complies with its procedures for such sale or acquisition and (ii) the Collateral Manager determines in good faith, considered solely from the viewpoint of Holders of Notes (without consideration of the merits to or participation by the Collateral Manager or any Affiliate of the Collateral Manager) that (A) such Collateral Obligation or Eligible Investment is an appropriate investment for the Issuer, (B) the transactions are exempt from the prohibited transaction rules of ERISA and the Code, (C) the transaction is for no additional consideration other than payment in respect of the asset, (D) no brokerage commission, fee (except for customary transfer fees) or other remuneration is paid in connection with the transaction and (E) such transactions are permissible under the Investment Advisers Act of 1940, as amended (the "Advisers Act") and the Investment Company Act; *provided, further*, the Collateral Manager shall not direct the Issuer to acquire an obligation to be included in the Collateral directly from any other Related Account or to dispose of an obligation directly to any other Related Account, unless the Collateral Manager complies with its procedures for such sale or acquisition.

In order to comply with the requirements of the Advisers Act in connection with transactions effected on behalf of the Issuer with the Collateral Manager Parties (whether as a principal or as a broker), and in lieu of the requirements contained in (i)(B) above, the Issuer may form an independent advisory committee to request and receive the information to be provided pursuant to (i)(A) above and review and approve such proposed transactions on behalf of and for the benefit of the Issuer prior to the settlement thereof. If such an independent advisory committee is formed, any member thereof must be approved by the Issuer, which Person (or any successor thereof) will be subject to removal or replacement by the Issuer at any time upon notice to the Collateral Manager. At any time while an independent advisory committee is in place, the Collateral Manager will not cause the Issuer to (i) effect transactions with or through any member of such independent advisory committee or their respective Affiliates acting in a principal capacity or (ii) effect agency cross transactions with any Person advised by any member of such independent advisory committee or their respective Affiliates.

Subject to the foregoing restrictions, from time to time, the Collateral Manager may take the following actions on behalf of the Issuer: (i) buy or sell securities in which related persons have a financial interest; (ii) effect transactions through related persons, including broker-dealers acting as principal or as agent for non-clients; (iii) buy or sell securities to or from related persons who are broker-dealers; (iv) buy or sell securities in which the Collateral Manager, related parties or the Collateral Manager's other clients' accounts are at the same time effecting a sale or purchase; and (v) effect transactions with brokers that have clearing relationships with related persons who are broker-dealers. In any transaction with a related party, the related party may receive compensation.

Subject to the following provisions regarding removal or resignation of the Collateral Manager, the Collateral Management Agreement will be entered into on the Closing Date for a term until the earlier of (i) the payment in full of the Notes and the termination of the Indenture and (ii) the liquidation of the Collateral under the Indenture. The Collateral Manager may be removed under the following circumstances. The Collateral Manager may be removed (i) for cause upon 10 Business Days' prior written notice by the Issuer at the direction of the Holders of at least 66 2/3% of the Aggregate Principal Amount of the Income Notes or a Majority of the Controlling Class; and (ii) without cause upon 45 days' prior written notice by the Issuer with the consent of the Holders of at least 66 2/3% of the Aggregate Principal Amount of each Class of Notes, voting separately. Cause for removal of the Collateral Manager includes the bankruptcy or insolvency of the Collateral Manager, certain breaches by the Collateral Manager of the provisions of the Collateral Management Agreement, the occurrence of certain Events of Default arising directly from actions or inactions of the Collateral Manager, fraud or activity by the Collateral Manager or any director, officer or employee thereof in connection with the performance of the Collateral Manager's obligations under the Collateral Management Agreement, or the indictment of the Collateral Manager or any director, officer, or employee thereof whose duties include work in fulfillment of the Collateral Manager's

obligations under the Collateral Management Agreement of a criminal offense materially related to the Collateral Manager's asset management business. Securities beneficially owned (whether acquired on the Closing Date or at any time subsequent thereto) by a Collateral Manager Party shall be disregarded and deemed not to be Outstanding and may not be voted with respect to any such vote as to the removal of the Collateral Manager.

The Collateral Manager may resign and terminate the Collateral Management Agreement upon not less than 90 days' written notice to the Issuer, the Trustee and each Rating Agency; *provided, however*, that the Collateral Manager shall have the right to resign immediately upon the effectiveness of any material change in applicable law or regulations which renders the performance by the Collateral Manager of its duties under the Collateral Management Agreement or under the Indenture to be a violation of such law or regulation.

Notwithstanding the foregoing, no resignation or removal of the Collateral Manager will be effective until an Approved Replacement Manager has been appointed in accordance with the Collateral Management Agreement, such replacement manager accepts such appointment and Rating Confirmation has been received. For purposes of the foregoing, "Approved Manager Replacement" means either (i) an Income Noteholder Manager Nominee or (ii) if the Income Noteholders fail to nominate a successor collateral manager within 30 days after the termination, removal, replacement or resignation of the Collateral Manager, a Controlling Class Manager Nominee, in either case that is an established institution that (x) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement and (y) is legally qualified and has the capacity to act as collateral manager as successor to the Collateral Manager. An "Income Noteholder Manager Nominee" means a successor collateral manager nominated by Holders of at least 66 2/3% of the Aggregate Principal Amount of the Income Notes that is not rejected by Holders of at least 66 2/3% of the Aggregate Principal Amount of the Controlling Class by written notice to the Issuer, the Collateral Manager and the Trustee within 15 days of the Issuer's receipt of such nomination by the Income Noteholders, and a "Controlling Class Manager Nominee" means a successor collateral manager nominated by Holders of at least 66 2/3% of the Aggregate Principal Amount of the Controlling Class that is not rejected by Holders of at least 66 2/3% of the Aggregate Principal Amount of the Income Notes by written notice to the Issuer, the Collateral Manager and the Trustee within 15 days of the Issuer's receipt of such nomination by the Controlling Class. If within 90 days following a notice of resignation or a notice of removal no Approved Replacement Manager has been appointed and accepted such appointment, any of the resigning or removed Collateral Manager, the Holders of at least 66 2/3% of the Aggregate Principal Amount of the Income Notes or the Holders of at least 66 2/3% of the Aggregate Principal Amount of the Controlling Class may petition any court of competent jurisdiction for the appointment of a successor collateral manager without the approval of the Issuer, Noteholders, the Trustee or the Rating Agencies.

A "Key Manager Event" will occur if, at any time, the Collateral Manager fails to maintain one Key Manager. A "Key Manager" is a person employed by the Collateral Manager or an Affiliate of the Collateral Manager as a portfolio manager or in a management level position who is actively involved in the management of the Collateral on behalf of the Issuer. The Key Manager will initially be Mark D. Senkpiel, and thereafter, will include any new Key Manager appointed as described below; provided that at no time will there be more than one Key Manager.

No later than 60 days after the occurrence of a Key Manager Event, the Collateral Manager will submit a proposed replacement for the departed Key Manager (a "Proposed Key Manager") and a ballot (a "Ballot") to the Trustee. Upon receipt of such written proposal and Ballot, the Trustee will send any such proposal and Ballot to each of the Holders of the Notes. The Collateral Manager may only propose one Key Manager. The Ballot will request that the Holders of the Notes vote separately on the matters described in clauses (i) and (ii) below.

- (i) If the Requisite Securityholders (excluding any Notes owned by the Collateral Manager or any Affiliate of the Collateral Manager) affirmatively vote to object to the Proposed Key Manager within 90 days after the Ballot is sent, then the Collateral Manager shall be removed (subject to the prior satisfaction of the requirements for a successor collateral manager described herein). Otherwise, if the Requisite Securityholders (excluding any Notes owned by the Collateral Manager or any Affiliate of the Collateral Manager) do not affirmatively vote to object to the Proposed Key Manager within 90 days after the Ballot is sent, the Proposed Key Manager shall be deemed approved, such Proposed Key Manager shall be considered a new Key Manager and the Collateral Manager shall not be removed.

- (ii) If the Requisite Securityholders (excluding any Notes owned by the Collateral Manager or any Affiliate of the Collateral Manager) affirmatively vote to end the Reinvestment Period within 90 days after the Ballot is sent, then the Reinvestment Period shall be terminated on the 90th day after the Ballot is sent (whether or not the Collateral Manager is removed pursuant to clause (i) above).

For purposes hereof, the “Requisite Securityholders” will mean (i) if the Class A Overcollateralization Test is satisfied, the Holders of at least 66 2/3% of the Aggregate Principal Amount of the Senior Notes and the Holders of at least 66 2/3% of the Aggregate Principal Amount of the Income Notes, voting separately; and (ii) if the Class A Overcollateralization Test is not satisfied, the Holders of at least 66 2/3% of the Aggregate Principal Amount of the Controlling Class and the Aggregate Principal Amount of the Income Notes, voting together as a single class.

The Collateral Manager assumes no responsibility under the Collateral Management Agreement other than to render in good faith the services called for thereunder and under the terms of the Collateral Administration Agreement expressly applicable to it.

In certain circumstances, the interests of the Issuer and/or the Holders of the Notes with respect to matters as to which the Collateral Manager is advising the Issuer under the Collateral Management Agreement may conflict with the interests of the Collateral Manager and its Affiliates. *See “Risk Factors—Certain Conflicts of Interest—Collateral Manager Conflicts of Interest.”*

USE OF PROCEEDS

The net proceeds from the issuance of the Notes, after payment of applicable fees and expenses in connection with the structuring and placement of the Notes (including by making a deposit to the Expense Reserve Account of approximately \$10,397,500 to be used to pay expenses following the Closing Date), are expected to be approximately \$453,000,000.

Approximately \$376,000,000 of the net proceeds will be used to purchase on the Closing Date, or to repurchase participations granted by the Issuer in order to permit the Issuer to purchase prior to the Closing Date, Collateral Obligations that will be pledged on or about the Closing Date to secure the Notes as described under “*Security for the Notes—Collateral Obligations.*”

Approximately \$74,000,000 will be deposited into the Ramp-Up Account on the Closing Date for the purchase of additional Collateral Obligations during the Ramp-Up Period and for deposit into the Collection Account as described herein upon the completion of the Ramp-Up Period. Approximately \$1,400,000 will be deposited into the Revolving Reserve Account on the Closing Date.

PURCHASE AND TRANSFER RESTRICTIONS

The Securities have not been and will not be registered under the Securities Act or any state “Blue Sky” laws or the securities laws of any other jurisdiction and, accordingly, may not be reoffered, resold, pledged or otherwise transferred except in accordance with the restrictions set forth in the Indenture and described under “Notices to Purchasers” and below.

Without limiting the foregoing, by holding a Security, each Holder of Securities will acknowledge and agree, among other things, that such Holder of Securities understands that neither of the Co-Issuers is registered as an investment company under the Investment Company Act, but that the Issuer claims exemption from registration under the Investment Company Act. In this regard, the offering of the Securities has been structured to comply with Section 3(c)(7) of the Investment Company Act, which exempts those non-U.S. issuers (i) whose investors residing in the United States are Qualified Purchasers (or Knowledgeable Employees) and (ii) which do not make a public offering of their securities in the United States. In general terms, Qualified Purchaser is defined to mean, among other things, (i) natural persons who own not less than U.S. \$5,000,000 in “investments”; (ii) a company that owns not less than U.S. \$5,000,000 in “investments” and that is owned directly or indirectly by or for two or more natural persons who are related as siblings or spouses (including former spouses), or direct lineal descendants by birth or adoption, spouses of such persons, the estates of such persons, or foundations, charitable organizations, or trusts established by or for the benefit of such persons; (iii) certain trusts that were not formed for the specific purposes of acquiring the securities offered, as to which the trustee or other person authorized to make decisions with respect to the trust, and each settlor or other person who has contributed assets to the trust, is a qualified purchaser (other than certain trusts); and (iv) any person, acting for its own account or the accounts of other qualified purchasers, who in the aggregate owns and invests on a discretionary basis, not less than U.S. \$25,000,000 in “investments.” For purposes of the definition of “qualified purchaser,” “investments” has the meaning given such term in Rule 2a51-1 under the Investment Company Act. See “Risk Factors—Other Investment Company Act Considerations.”

Senior Notes

Legend

Unless determined otherwise by the Co-Issuers in accordance with applicable law and so long as any Class of such Notes is Outstanding, the Senior Notes will bear a legend substantially as set forth below:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND THE CO-ISSUERS HAVE NOT REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”). THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS THAT IT HAS OBTAINED THIS NOTE IN A TRANSACTION IN COMPLIANCE WITH THE SECURITIES ACT, THE INVESTMENT COMPANY ACT AND ALL OTHER APPLICABLE LAWS OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THE RESTRICTIONS ON SALE AND TRANSFER SET FORTH IN THE INDENTURE. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, FURTHER REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE (OR ANY INTEREST HEREIN) EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT, THE INVESTMENT COMPANY ACT AND ALL OTHER APPLICABLE LAWS OF ANY JURISDICTION AND IN ACCORDANCE WITH THE CERTIFICATIONS AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN (A) TO A TRANSFEREE (1) THAT IS A “QUALIFIED PURCHASER” WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (2) THAT (i) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE NOTES, (ii) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS IF THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (iii) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S. \$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS, (iv) IS NOT A PARTNERSHIP, COMMON TRUST FUND, SPECIAL TRUST, PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND

OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, (v) IS ACQUIRING ITS NOTES IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (vi) AGREES TO PROVIDE NOTICE TO ANY SUBSEQUENT TRANSFEREE OF THE TRANSFER RESTRICTIONS APPLICABLE TO THIS NOTE PROVIDED IN THIS LEGEND AND THE INDENTURE AND (3) THAT IS A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A "QUALIFIED INSTITUTIONAL BUYER" IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR (B) TO A TRANSFEREE THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN THE CASE OF BOTH CLAUSES (A) AND (B), IN A PRINCIPAL AMOUNT OF NOT LESS THAN THE APPLICABLE MINIMUM DENOMINATION.

EACH PURCHASER OR TRANSFEREE OF THIS NOTE OR AN INTEREST HEREIN WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE OR AN EXHIBIT THERETO.

THIS NOTE IS TRANSFERABLE ONLY IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN AND IN THE INDENTURE. ANY SALE OR TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO*, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE CO-ISSUERS, THE TRUSTEE OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE OR AN INTEREST HEREIN AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO THE TRANSFEREE. IN ADDITION TO THE FOREGOING, THE CO-ISSUERS MAINTAIN THE RIGHT TO COMPEL THE RESALE OF ANY INTEREST IN THIS NOTE PREVIOUSLY TRANSFERRED TO OR HELD BY ANY NON-PERMITTED HOLDER IN ACCORDANCE WITH AND SUBJECT TO THE TERMS OF THE INDENTURE.

FURTHER, NO SALE OR TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE UNLESS SUCH SALE OR TRANSFER WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR, IN THE CASE OF A GOVERNMENTAL, FOREIGN, CHURCH OR OTHER PLAN, ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW, UNLESS AN EXEMPTION IS AVAILABLE AND ALL OF ITS CONDITIONS ARE SATISFIED."

In the case of Class D Notes, the legend will also include the following:

THESE CLASS D NOTES MAY BE BENEFICIALLY OWNED ONLY BY PERSONS THAT CAN CONTINUE TO MAKE, ON EACH DAY SUCH BENEFICIAL OWNER OWNS THESE CLASS D NOTES, THE REPRESENTATION THAT IT IS NOT AND IS NOT ACTING ON BEHALF OF OR WITH THE ASSETS OF A BENEFIT PLAN INVESTOR (AS DEFINED IN THE INDENTURE).

Transferees of Interests in Rule 144A Global Notes

Each initial purchaser and subsequent transferee who is purchasing an interest in a Rule 144A Global Note will be deemed to have represented and agreed as follows:

1. It (a) is a Qualified Institutional Buyer and is acquiring the Notes in reliance on the exemption from Securities Act registration provided by Rule 144A thereunder, (b) is a Qualified Purchaser and (c) understands the Notes will bear the legend set forth above and be represented by one or

more Rule 144A Global Notes. In addition, it represents and warrants that it (i) was not formed for the purpose of investing in the Notes, (ii) has received the necessary consent from its beneficial owners if the purchaser is a private investment company formed before April 30, 1996, (iii) is not a broker-dealer that owns and invests on a discretionary basis less than U.S. \$25,000,000 in securities of unaffiliated issuers, (iv) is not a partnership, common trust fund, special trust, pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made, (v) is acquiring its Notes in a transaction that may be effected without loss of any applicable Investment Company Act exemption, (vi) will provide notice to any subsequent transferee of the transfer restrictions applicable to such Notes under the Indenture or provided in the legend of such Notes, (vii) will hold and transfer its beneficial interest in any Note only in a principal amount of not less than the applicable minimum denomination and (viii) will provide the Issuer from time to time such information as it may reasonably request in order to ascertain compliance with this paragraph 1.

2. The Notes are being purchased or transferred in accordance with the transfer restrictions set forth in the Indenture and pursuant to an exemption from Securities Act registration, and in accordance with applicable state securities laws or securities laws of any other relevant jurisdiction. It understands that the Notes have been offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Notes have not been and will not be registered under the Securities Act or the securities laws of any states, and, if in the future it decides to offer, resell, pledge or otherwise transfer the Notes, such Notes may be offered, resold, pledged or otherwise transferred only in accordance with an exemption from registration under such laws and pursuant to the provisions of the Indenture and the legend on such Notes. In particular, it understands that interests in the Notes may be transferred only to (a) a Qualified Purchaser that is a Qualified Institutional Buyer or (b) a person that is not a U.S. Person in an offshore transaction in reliance on Regulation S. Purchasers and transferees who reside in certain states or jurisdictions may be subject to additional suitability standards and/or specific holding periods before the Notes may be resold or otherwise transferred. It acknowledges that no representation is made as to the availability of any exemption under the Securities Act or any state or other securities laws for resale of the Notes.
3. In connection with the purchase of the Notes (*provided* that no such representations in clauses (a), (b) or (c) below are required to be made with respect to the Collateral Manager or its Affiliates by the Collateral Manager or any Affiliate of the Collateral Manager or by any account managed or advised by the Collateral Manager or any Affiliate of the Collateral Manager): (a) it understands that none of the Co-Issuers, the Collateral Manager, the Initial Purchaser, the Placement Agent, the Collateral Administrator or any of their respective Affiliates is acting as a fiduciary or financial or investment adviser for such beneficial owner; (b) such beneficial owner is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Co-Issuers, the Collateral Manager, the Initial Purchaser, the Placement Agent, the Trustee, the Collateral Administrator or any of their respective Affiliates or agents and independent contractors in their capacities as such other than statements, if any, of such person in a current offering circular for the Notes; (c) such beneficial owner has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary and has made its own investment decisions based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Co-Issuers, the Collateral Manager, the Initial Purchaser, the Placement Agent, the Trustee, the Collateral Administrator or any of their respective Affiliates or agents and independent contractors in their capacities as such; (d) such beneficial owner's purchase of the Notes will comply with all applicable laws in any jurisdiction in which it resides or is located; (e) such beneficial owner is acquiring the Notes as principal solely for its own account for investment and not with a view to the resale, distribution or other disposition thereof in violation of the Securities Act; (f) such beneficial owner has made investments prior to the date hereof and was not formed solely for the purpose of investing in the Notes; (g) such beneficial owner shall not hold any Notes for the benefit of any other person, it shall at all times be the sole beneficial owner thereof for purposes of the Investment Company Act

and all other purposes and it shall not sell participation interests in the Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Notes; (h) all Notes (together with any other securities of the Co-Issuers) purchased and held directly or indirectly by such beneficial owner constitute in the aggregate an investment of no more than 40% of its assets or capital and (i) it is a sophisticated investor and is purchasing the Notes with a full understanding of all of the terms, conditions and risks thereof, and it is capable of assuming and willing to assume those risks.

4. In the case of the Class A Notes, Class B Notes or Class C Notes:

On each day from the date on which the purchaser acquires its interest in the Notes through and including the date on which such purchaser disposes of its interest in such Notes, either (A) such purchaser is not, and is not using the assets of, an “employee benefit plan” within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), which is subject to Title I of ERISA, a plan, account or other arrangement to which Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”) applies or a plan subject to any federal, state, local or non-U.S. law or regulation which is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (collectively, “Similar Laws”), or an entity whose underlying assets include the assets of any such plans, account or arrangement by reason of Department of Labor regulation Section 2510.3-101 (as modified by Section 3(42) of ERISA) or otherwise or (B) such purchaser’s purchase, holding and disposition of such Notes (or interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or a violation of any applicable Similar Laws) unless an exemption is available and all of its conditions are satisfied.

In the case of the Class D Notes:

It is not, and is not acting on behalf of, or with the assets of, a Benefit Plan Investor in its purchase and holding of the Class D Notes. Its purchase, holding and disposition of such Class D Notes will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or a violation of any applicable Similar Law) unless an exemption is available and all its conditions are satisfied. It understands that the representations made by it pursuant to this paragraph 4 shall be deemed made on each day from the date made through and including the date on which it disposes of its interest in the Class D Notes. Furthermore, it, and any of its fiduciaries causing it to acquire the Class D Notes, agree to indemnify and hold harmless the Issuer, the Trustee, the Initial Purchaser, the Placement Agent, the Collateral Manager and their respective affiliates from any losses, liabilities, expenses, damages, claims, proceedings and excise taxes incurred by them as a result of any of the foregoing representations made by it being or becoming false. It understands that the Issuer may require any holder of the Class D Notes that has made a false representation with respect to the foregoing matters to sell the Class D Notes and, if such holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder’s interest in the Class D Notes. It understands that any transfer effected in connection with such a representation that was false will be of no force and effect, will be void *ab initio*, and will not operate to transfer any rights to the transferee, notwithstanding any instructions to the contrary to the Issuer, the Trustee or any intermediary.

5. The purchaser understands that the Indenture permits the Issuer to demand that any holder of a beneficial interest in a Rule 144A Global Note who is determined not to be both a Qualified Institutional Buyer and a Qualified Purchaser sell the Notes (a) to a person who is both a Qualified Institutional Buyer and a Qualified Purchaser in a transaction meeting the requirements of Rule 144A or (b) to a Person who will take delivery of the holder’s interest in the Rule 144A Global Note in the form of an interest in a Regulation S Global Note, as applicable, and who is not a U.S. Person in a transaction meeting the requirements of Regulation S and, if the holder does not comply with such demand within 30 days thereof, the Issuer may cause such holder of the beneficial interest to sell its interest in the Note on such terms as the Issuer may choose.

6. The purchaser acknowledges that it is its intent and that it understands it is the intent of the Issuer that, for purposes of U.S. federal income tax, state and local income and franchise tax and any other income taxes, the Issuer will be treated as a corporation, the Senior Notes will be treated as indebtedness for U.S. federal income tax purposes and the Income Notes (in the absence of an administrative determination or judicial ruling to the contrary) will be treated as equity in the Issuer; the purchaser agrees to such treatment and agrees to take no action inconsistent with such treatment.
7. The purchaser is not purchasing the Notes in order to reduce any United States federal income tax liability or pursuant to a tax avoidance plan. In the case of a purchaser that is a bank (as defined in Section 881(c)(3)(A) of the Code) or an affiliate of such a bank, the purchaser (a) is acquiring the Notes as a capital markets investment and will not for any purpose treat the assets of the Issuer as loans acquired in its banking business and (b) has not proposed or identified, and will not propose or identify, any security or loan for inclusion in the Collateral.
8. In the case of any purchaser that is not a United States person (as defined in Section 7701(a)(30) of the Code), it is not a bank (as defined in Section 881(c)(3)(A) of the Code) or an affiliate of such a bank, unless the purchaser is a person that is eligible for benefits under an income tax treaty with the United States that eliminates United States federal income taxation of United States source interest not attributable to a permanent establishment in the United States.
9. It is aware that, except as otherwise provided in the Indenture, the Notes being sold to it will be represented by one or more Global Notes, and that beneficial interests therein may be held only through DTC.
10. It acknowledges that no governmental agency has passed upon the Notes or made any finding or determination as to the fairness of an investment in the Notes.
11. It acknowledges that certain persons or organizations will perform services on behalf of the Co-Issuers and will receive fees and/or compensation for performing such services as described in this Offering Circular and the Indenture.
12. It acknowledges that the Notes do not represent deposits with or other liabilities or obligations of, and are not guaranteed or endorsed by, the Placement Agent, the Initial Purchaser, the Collateral Manager, the Trustee, the Collateral Administrator or any of their respective Affiliates or any entity related to any of them or any other holder of Notes. It acknowledges that none of such persons will, in any way, be responsible for or stand behind the value or the performance of the Notes. It acknowledges that purchase of Notes involves investment risks including possible delay in payment of distributions and loss of income and principal invested.
13. It understands that the Co-Issuers, the Trustee, the Collateral Manager, the Initial Purchaser, the Placement Agent, the Collateral Administrator and their respective counsel will rely upon the accuracy and truth of the foregoing representations, and it hereby consents to such reliance.

Transferees of Interests in Senior Notes in the Form of Regulation S Global Notes

Each initial purchaser and subsequent transferee who is purchasing an interest in a Senior Note in the form of a Regulation S Global Note will be deemed to have made the representations set forth in paragraphs 2, 3, 4, 6, 7, 8, 10, 11 and 12 above and in addition to have further represented and agreed as follows:

1. It is aware that the sale of Notes to it is being made in reliance on the exemption from registration provided by Regulation S and understands that the Notes offered in reliance on Regulation S will bear the legend set forth above. It and each beneficial owner of its Notes is not, and will not be, a U.S. Person as defined in Regulation S under the Securities Act, and its purchase of the Notes will comply with all applicable laws in any jurisdiction in which it resides or is located. In addition, it represents and warrants that it will (i) provide notice to any subsequent transferee of the transfer restrictions provided in such legend and in the Indenture, (ii) hold and transfer its beneficial

interest in any Note only in a principal amount of not less than the applicable minimum denomination and (iii) provide the Issuer from time to time such information as it may reasonably request in order to ascertain compliance with this paragraph 1.

2. It understands that the Indenture permits the Issuer to demand that any holder of a beneficial interest in a Regulation S Global Note who is determined not to have acquired such beneficial interest in compliance with the requirements of Regulation S or who is a U.S. Person sell such beneficial interest (a) to a Person who is not a U.S. Person in a transaction meeting the requirements of Regulation S or (b) to a Person who will take delivery of the beneficial interest of such holder in the Regulation S Global Notes in the form of an interest in a Rule 144A Global Note, who is both a Qualified Institutional Buyer and a Qualified Purchaser in a transaction meeting the requirements of Rule 144A, and, if the holder does not comply with such demand within 30 days thereof, the Issuer may cause the holder to sell its beneficial interest on such terms as the Issuer may choose.
3. Such beneficial owner is aware that, except as otherwise provided in the Indenture, the Notes being sold to it will be represented (A) initially, by one or more Temporary Regulation S Global Securities and (B) after the Exchange Date, by one or more Permanent Regulation S Global Securities, and that beneficial interests therein may be held only through Euroclear or Clearstream.
4. A holder of a beneficial interest in a Temporary Regulation S Global Security must provide Euroclear or Clearstream or the participant organization through which it holds such interest, as applicable, with a certificate certifying that the beneficial owner of the interest in the Temporary Regulation S Global Security is a non-U.S. Person, and Euroclear or Clearstream, as applicable, must provide to the Trustee a certificate to such effect, prior to (A) the payment of interest or principal with respect to the beneficial interest of such holder in the Temporary Regulation S Global Security and (B) any exchange of such beneficial interest for a beneficial interest in a Permanent Regulation S Global Security, and no payment will be made to the holder of any beneficial interest in a Temporary Regulation S Global Security unless such holder has provided Euroclear or Clearstream or such participant organization through which it holds such interest with such certificate.
5. It understands that any resale or other transfer of beneficial interests in Regulation S Global Note to U.S. Persons shall not be permitted.
6. It understands that the Co-Issuer, the Trustee, the Collateral Manager, the Initial Purchaser, the Placement Agent, the Collateral Administrator and their respective counsel will rely upon the accuracy and truth of the foregoing representations, and it hereby consents to such reliance.

Income Notes

Legend

Unless determined otherwise by the Issuer in accordance with applicable law and so long as the Income Notes are Outstanding, the Income Notes will bear a legend substantially as set forth below:

THESE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND THE ISSUER HAS NOT REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THESE INCOME NOTES, REPRESENTS THAT IT HAS OBTAINED THESE INCOME NOTES IN A TRANSACTION IN COMPLIANCE WITH THE SECURITIES ACT, THE INVESTMENT COMPANY ACT AND ALL OTHER APPLICABLE LAWS OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION, AND THE RESTRICTIONS ON SALE AND

TRANSFER SET FORTH IN THE INDENTURE. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THESE INCOME NOTES, FURTHER REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THESE INCOME NOTES (OR ANY INTEREST HEREIN) EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT, THE INVESTMENT COMPANY ACT AND ALL OTHER APPLICABLE LAWS OF ANY JURISDICTION AND IN ACCORDANCE WITH THE CERTIFICATIONS AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN (A) TO A TRANSFEREE (1) THAT IS A "QUALIFIED PURCHASER" WITHIN THE MEANING OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT OR IS A "KNOWLEDGEABLE EMPLOYEE" AS DEFINED IN RULE 3C-5 UNDER THE INVESTMENT COMPANY ACT, (2) THAT (i) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER, (ii) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS IF THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (iii) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S. \$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS, (iv) IS NOT A PARTNERSHIP, COMMON TRUST FUND, SPECIAL TRUST, PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, (v) IS ACQUIRING ITS INCOME NOTES IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (vi) AGREES TO PROVIDE NOTICE TO ANY SUBSEQUENT TRANSFEREE OF THE TRANSFER RESTRICTIONS PROVIDED IN THIS LEGEND AND THE INDENTURE AND (3) THAT IS (I) A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A "QUALIFIED INSTITUTIONAL BUYER" IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT OR (II) AN ACCREDITED INVESTOR AS DEFINED IN RULE 501(A) UNDER THE SECURITIES ACT, OR (B) TO A TRANSFEREE THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN THE CASE OF (A) OR (B) IN A PRINCIPAL AMOUNT OF NOT LESS THAN THE APPLICABLE MINIMUM AUTHORIZED DENOMINATIONS.

EACH PURCHASER OR TRANSFEREE OF THESE INCOME NOTES OR AN INTEREST HEREIN WILL BE REQUIRED TO MAKE OR DEEMED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SUBSTANTIALLY IN THE FORM SET FORTH IN THE INDENTURE OR AN EXHIBIT THERETO.

THESE INCOME NOTES ARE TRANSFERABLE ONLY IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN AND IN THE INDENTURE. ANY SALE OR TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO*, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE TRUSTEE OR ANY INTERMEDIARY. EACH TRANSFEROR OF THESE INCOME NOTES OR AN INTEREST HEREIN AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO THE TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER MAINTAINS THE RIGHT TO COMPEL THE RESALE OF ANY INTEREST IN THESE INCOME NOTES PREVIOUSLY TRANSFERRED TO OR HELD BY NON-PERMITTED HOLDERS OF INCOME NOTES IN ACCORDANCE WITH AND SUBJECT TO THE TERMS OF THE INDENTURE.

THESE INCOME NOTES MAY BE BENEFICIALLY OWNED ONLY BY PERSONS THAT CAN CONTINUE TO MAKE, ON EACH DAY SUCH BENEFICIAL OWNER OWNS THESE INCOME NOTES, THE REPRESENTATIONS AND AGREEMENTS WITH RESPECT TO THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, AND RELATED MATTERS SET FORTH IN THE REPRESENTATION LETTER DELIVERED UPON PURCHASE OR DEEMED MADE PURSUANT TO THE INDENTURE."

Transferees of Certificated Income Notes

Each initial purchaser and each subsequent transferee of Income Notes in the form of Certificated Notes will be required to provide to the Issuer and the Trustee a written certification in substantially the form provided in the Indenture, containing representations substantially to the following effect (among other requirements of the Indenture) (with such modifications as may be acceptable to the Issuer):

1. It (a) is (i) a Qualified Institutional Buyer or (ii) an Accredited Investor and in either case is acquiring the Income Notes in reliance on an exemption from Securities Act registration (*provided* that in the case of any transfer to an Accredited Investor pursuant to this clause (ii) and if requested by the Issuer or on its behalf, the transferor or the transferee has provided an opinion of counsel to each of the Issuer and the Trustee that such transfer may be made pursuant to an exemption from registration under the Securities Act and any applicable state securities law) and (b) is a Qualified Purchaser or a Knowledgeable Employee and understands the Income Notes will bear the legend set forth above. In addition, it represents and warrants that it (i) was not formed for the purpose of investing in the Income Notes, (ii) has received the necessary consent from its beneficial owners if the purchaser is a private investment company formed before April 30, 1996, (iii) is not a broker-dealer that owns and invests on a discretionary basis less than U.S. \$25,000,000 in securities of unaffiliated issuers, (iv) is not a partnership, common trust fund, special trust, pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made and (v) is acquiring its Income Notes in a transaction that may be effected without loss of any applicable Investment Company Act exemption. It represents, warrants and agrees that it will provide notice to any subsequent transferee of the transfer restrictions applicable to such Notes under the Indenture or provided in the legend of such Income Notes, will hold and transfer its beneficial interest in any Income Note only in a principal amount of not less than the applicable minimum denomination and will provide the Issuer from time to time such information as it may reasonably request in order to ascertain compliance with this paragraph 1.
2. The Income Notes are being purchased or transferred in accordance with the transfer restrictions set forth in the Indenture and pursuant to an exemption from Securities Act registration, and in accordance with applicable state securities laws or securities laws of any other relevant jurisdiction. It understands that the Income Notes have been offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Income Notes have not been and will not be registered under the Securities Act or the securities laws of any states, and, if in the future it decides to offer, resell, pledge or otherwise transfer the Income Notes, such Income Notes may be offered, resold, pledged or otherwise transferred only in accordance with an exemption from registration under such laws and pursuant to the provisions of the Indenture and the legend on such Income Notes. In particular, it understands that the Income Notes may be transferred only to (A) a Qualified Purchaser or a Knowledgeable Employee that is either a Qualified Institutional Buyer or an Accredited Investor (provided that in the case of any transfer to an Accredited Investor and if requested by the Issuer or on its behalf, the transferor or the transferee has provided an opinion of counsel to each of the Issuer and the Trustee that such transfer may be made pursuant to an exemption from registration under the Securities Act and any applicable state securities law) or (B) to a non-U.S. Person in an offshore transaction in reliance on Regulation S. Purchasers and transferees who reside in certain states or jurisdictions may be subject to additional suitability standards and/or specific holding periods before the Income Notes may be resold or otherwise transferred. It acknowledges that no representation is made as to availability of any exemption under the Securities Act or any state or other securities laws for resales of the Income Notes.
3. In connection with the purchase of the Income Notes (*provided* that no such representations in clauses (a), (b) or (c) below are required to be made with respect to the Collateral Manager or its Affiliates by the Collateral Manager or any Affiliate of the Collateral Manager or by any account managed or advised by the Collateral Manager or any Affiliate of the Collateral Manager): (a) it understands that none of the Issuer, the Collateral Manager, the Initial Purchaser, the Placement

Agent, the Collateral Administrator or any of their respective Affiliates is acting as a fiduciary or financial or investment adviser for such beneficial owner; (b) it is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (in each case whether written or oral) of the Issuer, the Collateral Manager, the Initial Purchaser, the Placement Agent, the Trustee, the Collateral Administrator or any of their respective Affiliates or agents and independent contractors in their capacities as such other than any statements, if any, of such person in a current offering circular for the Income Notes; (c) it has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary and has made its own investment decisions based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuer, the Initial Purchaser, the Placement Agent, the Collateral Manager, the Trustee, the Collateral Administrator or any of their respective Affiliates or agents and independent contractors in their capacities as such; (d) its purchase of the Income Notes will comply with all applicable laws in any jurisdiction in which it resides or is located; (e) it is acquiring the Income Notes as principal solely for its own account for investment and not with a view to the resale, distribution or other disposition thereof in violation of the Securities Act; (f) it has made investments prior to the date hereof and was not formed solely for the purpose of investing in the Income Notes; (g) it will not hold any Income Notes for the benefit of any other person, it will at all times be the sole beneficial owner thereof for purposes of the Investment Company Act and all other purposes and it will not sell participation interests in the Income Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Income Notes; (h) all Income Notes (together with any other securities of the Issuer) purchased and held directly or indirectly by it constitute in the aggregate an investment of no more than 40% of its assets or capital; and (i) it is a sophisticated investor and is purchasing the Income Notes with a full understanding of all of the terms, conditions and risks thereof, and it is capable of assuming and willing to assume those risks.

4. Its purchase, holding and disposition of such Income Notes will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or a violation of any applicable Similar Law) unless an exemption is available and all its conditions are satisfied. It understands that the representations made by it pursuant to this paragraph 4 shall be deemed made on each day from the date made through and including the date on which it disposes of its interest in the Income Notes.
5. It is (or is not, as applicable) using funds to purchase the Income Notes that are assets of (i) an "employee benefit plan" as defined in Section 3(3) of ERISA subject to Title I of ERISA, (ii) a plan described in Section 4975(e)(1) of the Code to which Section 4975 of the Code applies, including without limitation, individual retirement accounts and Keogh plans or (iii) an entity whose underlying assets include "plan assets" by reason of the investment by an employee benefit plan or other plan in such entity, including, without limitation, as applicable, an insurance company general account (the plans and entities described in clauses (i), (ii) and (iii) being referred to as "Benefit Plan Investors"). It is (or is not, as applicable) the Issuer, the Trustee, the Initial Purchaser, the Placement Agent, the Collateral Manager or any other person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Co-Issuers or a person who provides investment advice for a fee (direct or indirect) with respect to such assets or any "affiliate" (as defined in 29 C.F.R. Section 2510.3-101(f)(3)) of any such person (a "Controlling Person"). It understands that the representations made by it pursuant to this paragraph 5 shall be deemed made on each day from the date made through and including the date on which it disposes of its interest in the Income Notes. Furthermore, it, and any of its fiduciaries causing it to acquire the Income Notes, agree to indemnify and hold harmless the Issuer, the Trustee, the Initial Purchaser, the Placement Agent, the Collateral Manager and their respective affiliates from any losses, liabilities, expenses, damages, claims, proceedings and excise taxes incurred by them as a result of any of the foregoing representations made by it being or becoming false. It acknowledges and agrees that a purchase or proposed transfer will not be permitted, and the Issuer and the Trustee will not register any such purchase by or proposed transfer to any Person, to the extent it is determined that such purchase or transfer would result in Persons that

have represented in writing to the Trustee that they are, or are acting on behalf of, Benefit Plan Investors owning 25% or more of the Outstanding Income Notes (excluding Income Notes held by Controlling Persons) immediately after such purchase or proposed transfer (determined in accordance with the Plan Asset Regulation and the Indenture). It understands that the Issuer may require any holder of the Income Notes that has made a false representation with respect to the foregoing matters to sell the Income Notes and, if such holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in the Income Notes. It understands that any transfer effected in connection with such a representation that was false will be of no force and effect, will be void *ab initio*, and will not operate to transfer any rights to the transferee, notwithstanding any instructions to the contrary to the Issuer, the Trustee or any intermediary.

6. The purchaser understands that the Indenture permits the Issuer to demand that any Holder of an Income Note in the form of a Certificated Note who is determined not to be (i) a Qualified Purchaser or a Knowledgeable Employee and (ii) a Qualified Institutional Buyer or an Accredited Investor to sell such Income Note (a) to a Person who is both (i) a Qualified Institutional Buyer or an Accredited Investor (provided that in the case of any transfer to an Accredited Investor and if requested by the Issuer or on its behalf, the transferor or the transferee has provided an opinion of counsel to each of the Issuer and the Trustee that such transfer may be made pursuant to an exemption from registration under the Securities Act and any applicable state securities laws) and (ii) a Qualified Purchaser or a Knowledgeable Employee in a transaction meeting the requirements of an applicable exemption from the Securities Act or (b) to a non-U.S. Person in an offshore transaction in reliance on Regulation S, and, if the Holder does not comply with such demand within 30 days thereof, the Issuer may cause such Holder to sell its Income Notes on such terms as the Issuer may choose.
7. The purchaser acknowledges that it is its intent and that it understands it is the intent of the Issuer that, for purposes of U.S. federal income tax, state and local income and franchise tax and any other income taxes, the Issuer will be treated as a corporation, the Senior Notes will be treated as indebtedness for U.S. federal income tax purposes and the Income Notes (in the absence of an administrative determination or judicial ruling to the contrary) will be treated as equity in the Issuer. The purchaser agrees to such treatment and agrees to take no action inconsistent with such treatment.
8. The purchaser is not purchasing the Income Notes in order to reduce any United States federal income tax liability or pursuant to a tax avoidance plan. In the case of a purchaser that is a bank (as defined in Section 881(c)(3)(A) of the Code) or an affiliate of such a bank, the purchaser (a) is acquiring the Income Notes as a capital markets investment and will not for any purpose treat the assets of the Issuer as loans acquired in its banking business and (b) has not proposed or identified, and will not propose or identify, any security or loan for inclusion in the Collateral.
9. In the case of any purchaser that is not a United States person (as defined in Section 7701(a)(30) of the Code), it is not a bank (as defined in Section 881(c)(3)(A) of the Code) or an affiliate of such a bank, unless the purchaser is a person that is eligible for benefits under an income tax treaty with the United States that eliminates United States federal income taxation of United States source interest not attributable to a permanent establishment in the United States.
10. The purchaser acknowledges that the Issuer is not authorized to engage in activities that could cause it to constitute a finance or lending business for federal income tax purposes and agrees that it will report its investment in the Income Notes in a manner consistent with such limitation, and in particular will not treat the Issuer as an "eligible controlled foreign corporation" for purposes of Section 954(h) of the Code or as deriving income described in Section 1297(b)(2) of the Code.
11. It has provided the Trustee on or immediately prior to its purchase of the Income Notes with a properly completed Form W-9 if it is a "U.S. person" for purposes of the Code that is not exempt from such requirement, and a properly completed Form W-8BEN if it is not a "U.S. person."

12. The purchaser acknowledges that no governmental agency has passed upon the Income Notes or made any finding or determination as to the fairness of an investment in the Income Notes.
13. The purchaser acknowledges that certain persons or organizations will perform services on behalf of the Issuer and will receive fees and/or compensation for performing such services as described in this Offering Circular and the Indenture.
14. The purchaser acknowledges that the Income Notes do not represent deposits with or other liabilities or obligations of, and are not guaranteed or endorsed by, the Placement Agent, the Initial Purchaser, the Collateral Manager, the Trustee, the Collateral Administrator or any of their respective Affiliates or any entity related to any of them or any other Holder of Income Notes. It acknowledges that none of such persons will, in any way, be responsible for or stand behind the value or the performance of the Income Notes. It acknowledges that purchase of Income Notes involves investment risks including possible delay in payment of distributions and loss of income and principal invested.
15. The purchaser understands that the Issuer, the Trustee, the Initial Purchaser, the Placement Agent, the Collateral Manager, the Collateral Administrator and their respective counsel will rely upon the accuracy and truth of the foregoing representations, and it hereby consents to such reliance.

Transferees of Interests in Income Notes in the Form of Regulation S Global Notes

Each initial purchaser and subsequent transferee who is purchasing an interest in an Income Note in the form of a Regulation S Global Note will be deemed to have made the representations set forth in paragraphs 2, 3, 4, 7, 8, 9, 10, 12, 13 and 14 above and in addition to have further represented and agreed as follows:

1. It is aware that the sale of Income Notes to it is being made in reliance on the exemption from registration provided by Regulation S and understands that the Income Notes offered in reliance on Regulation S will bear the legend set forth above. It and each beneficial owner of its Income Notes is not, and will not be, a U.S. Person as defined in Regulation S under the Securities Act, and its purchase of the Income Notes will comply with all applicable laws in any jurisdiction in which it resides or is located. In addition, it represents and warrants that it will (i) provide notice to any subsequent transferee of the transfer restrictions provided in such legend and in the Indenture, (ii) hold and transfer its beneficial interest in any Income Note only in a principal amount of not less than the applicable minimum denomination and (iii) provide the Issuer from time to time such information as it may reasonably request in order to ascertain compliance with this paragraph 1.
2. It understands that the Indenture permits the Issuer to demand that any holder of a beneficial interest in an Income Note in the form of a Regulation S Global Note who is determined not to have acquired such beneficial interest in compliance with the requirements of Regulation S or who is a U.S. Person sell such beneficial interest (a) to a Person who is not a U.S. Person in a transaction meeting the requirements of Regulation S or (b) to a Person who will take delivery of the beneficial interest of such holder in the Regulation S Global Notes in the form of a Certificated Note, who is both (I) a Qualified Institutional Buyer or an Accredited Investor (provided that in the case of any transfer to an Accredited Investor and if requested by the Issuer or on its behalf, the transferor or the transferee has provided an opinion of counsel to each of the Issuer and the Trustee that such transfer may be made pursuant to an exemption from registration under the Securities Act and any applicable state securities law) and (II) a Qualified Purchaser or a Knowledgeable Employee in a transaction meeting the requirements of an applicable exemption under the Securities Act, and, if the holder does not comply with such demand within 30 days thereof, the Issuer may cause the holder to sell its beneficial interest on such terms as the Issuer may choose.

3. Such beneficial owner is aware that, except as otherwise provided in the Indenture, the Notes being sold to it will be represented (A) initially, by one or more Temporary Regulation S Global Securities and (B) after the Exchange Date, by one or more Permanent Regulation S Global Securities, and that beneficial interests therein may be held only through Euroclear or Clearstream.
4. A holder of a beneficial interest in a Temporary Regulation S Global Security must provide Euroclear or Clearstream or the participant organization through which it holds such interest, as applicable, with a certificate certifying that the beneficial owner of the interest in the Temporary Regulation S Global Security is a non-U.S. Person, and Euroclear or Clearstream, as applicable, must provide to the Trustee a certificate to such effect, prior to (A) the payment of interest or principal with respect to the beneficial interest of such holder in the Temporary Regulation S Global Security and (B) any exchange of such beneficial interest for a beneficial interest in a Permanent Regulation S Global Security, and no payment will be made to the holder of any beneficial interest in a Temporary Regulation S Global Security unless such holder has provided Euroclear or Clearstream or such participant organization through which it holds such interest with such certificate.
5. It understands that any resale or other transfer of beneficial interests in Regulation S Global Note to U.S. Persons shall not be permitted.
6. It is not, and is not acting on behalf of, or with the assets of, a Benefit Plan Investor or a Controlling Person in its purchase and holding of the Income Notes. It understands that the representations made by it pursuant to this paragraph 6 shall be deemed made on each day from the date made through and including the date on which it disposes of its interest in the Income Notes. Furthermore, it, and any of its fiduciaries causing it to acquire the Income Notes, agree to indemnify and hold harmless the Issuer, the Trustee, the Initial Purchaser, the Placement Agent, the Collateral Manager and their respective affiliates from any losses, liabilities, expenses, damages, claims, proceedings and excise taxes incurred by them as a result of any of the foregoing representations made by it being or becoming false. It understands that the Issuer may require any holder of the Income Notes that has made a false representation with respect to the foregoing matters to sell the Income Notes and, if such holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in the Income Notes. It understands that any transfer effected in connection with such a representation that was false will be of no force and effect, will be void *ab initio*, and will not operate to transfer any rights to the transferee, notwithstanding any instructions to the contrary to the Issuer, the Trustee or any intermediary.
7. It understands that the Issuer, the Trustee, the Collateral Manager, the Initial Purchaser, the Placement Agent, the Collateral Administrator and their respective counsel will rely upon the accuracy and truth of the foregoing representations, and it hereby consents to such reliance.

Section 3(c)(7) of the Investment Company Act

The Issuer intends to comply with the requirements of the exemption in Section 3(c)(7) of the Investment Company Act. To satisfy Section 3(c)(7), the Issuer must have a "reasonable belief" that all purchasers of interests in the Rule 144A Global Notes and all purchasers of Certificated Notes (including initial purchasers and subsequent transferees) are Qualified Purchasers or Knowledgeable Employees and that all purchasers of interests in Regulation S Global Notes (including the initial purchasers and subsequent transferees) are non-U.S. Persons. The Issuer will establish such a reasonable belief by means of the representations, warranties and agreements made, or deemed made, by the purchasers of Securities under "*Purchase and Transfer Restrictions*" above, the agreements of the Initial Purchaser and the Placement Agent made in the Purchase Agreement and placement agency agreement (the "Placement Agency Agreement"), as applicable, and certain Issuer covenants and undertakings pursuant to the Indenture (collectively, the "Section 3(c)(7) Procedures").

The Co-Issuer has not registered with the Commission as an investment company pursuant to the Investment Company Act, in reliance on the fact that it holds no "securities" for purposes of the Investment Company Act.

PLAN OF DISTRIBUTION

The Senior Notes are being offered by Citigroup Global Markets Inc. (in such capacity, the “Initial Purchaser”) pursuant to a purchase agreement with the Co-Issuers (the “Purchase Agreement”). The Income Notes are being offered by the Issuer through Citigroup Global Markets Inc. (in such capacity, the “Placement Agent”) pursuant to the Placement Agency Agreement to prospective purchasers from time to time in individually negotiated transactions at varying prices to be determined in each case at the time of sale. The Notes will be offered as set forth in “*Purchase and Transfer Restrictions.*”

The Purchase Agreement provides that the obligation of the Initial Purchaser to purchase the Senior Notes is subject to approval of legal matters by counsel and to other conditions. The Initial Purchaser must purchase all the Senior Notes if it purchases any of such Securities.

In connection with sales outside the United States, with respect to the Notes, the Initial Purchaser or Placement Agent, as applicable, has agreed that, except as permitted by the Purchase Agreement or Placement Agency Agreement, it will not offer or sell such Notes within the United States or to, or for the account or benefit of, U.S. Persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, and it will have sent to each dealer to which it sells such Notes during the 40-day restricted period, a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. Persons. In addition, until 40 days after the commencement of this offering, an offer or sale of such Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

No action is being taken or is contemplated by the Co-Issuers that would permit a public offering of the Securities or possession or distribution of this Offering Circular or any amendment thereof, any supplement thereto or any other offering material relating to the Issuer or the Securities in any jurisdiction where, or in any other circumstances in which, action for those purposes is required.

The Initial Purchaser and the Placement Agent or their respective Affiliates may have had in the past and may in the future have business relationships and dealings with one or more Obligor and their Affiliates and may own equity or debt securities issued by such entities or their Affiliates. The Initial Purchaser and the Placement Agent or their respective Affiliates may have provided and may in the future provide investment banking services to an Obligor or its Affiliates and may have received or may receive compensation for such services.

The Issuer has agreed to indemnify the Initial Purchaser and the Placement Agent against certain liabilities in connection with the transactions described herein, including liabilities under the Securities Act, and has agreed to contribute to payments that the Initial Purchaser and the Placement Agent may be required to make in respect thereof.

The Securities are offered when, as and if issued, subject to prior sale or withdrawal, cancellation or modification of the offer without notice and subject to approval of certain legal matters by counsel and certain other conditions.

The Securities will constitute new classes of securities with no established trading market. Such a market may or may not develop, but the Initial Purchaser and the Placement Agent are not under any obligation to make such a market, and if they do make such a market they may discontinue any market-making activities with respect to the Securities at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, no assurances can be made as to the liquidity of or the trading market for the Securities.

Citigroup Global Markets Inc. may be contacted at 390 Greenwich Street, New York, New York 10013, Attention: Global Structured Credit Product Group.

RATINGS OF THE NOTES

It is a condition to the issuance of the Securities that the Class A-1 Notes be rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s, that the Class A-2 Notes be rated at least “Aa2” by Moody’s and at least “AA” by Standard & Poor’s, that the Class B Notes be rated at least “A2” by Moody’s and at least “A” by Standard & Poor’s, that the Class C Notes be rated at least “Baa2” by Moody’s and “BBB” by Standard & Poor’s and that the Class D Notes be rated at least “Ba2” by Moody’s and “BB” by Standard & Poor’s.

Such ratings by S&P represent S&P’s view, in the case of the Notes, as to the likelihood of timely payment of interest and ultimate payment of principal and in the case of the Class B Notes, the Class C Notes and the Class D Notes, as to the likelihood of ultimate payment of interest and principal. Such ratings of the Senior Notes by Moody’s represent Moody’s view as to the ultimate cash receipt of all required payments on each such Senior Note as provided by its governing documents.

The Income Notes will not be rated by Standard & Poor’s or Moody’s or any other rating agency.

The Co-Issuers will request within 20 Business Days after the Ramp-Up End Date that each Rating Agency confirm its ratings on the Senior Notes within 30 Business Days after the Ramp-Up End Date.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning Rating Agency. In the event that a rating initially assigned to any Class of Securities is subsequently lowered for any reason, no person or entity is obligated to provide any additional support or credit enhancement with respect to the Securities.

So long as any of the Senior Notes remain Outstanding, the Co-Issuers shall pay for continuous rating surveillance by S&P of the Senior Notes rated by S&P and by Moody’s of the Senior Notes rated by Moody’s. The failure of Moody’s or Standard & Poor’s to review or if requested, to confirm a rating or the withdrawal of a rating does not constitute an Event of Default under the Indenture.

The Co-Issuers will notify the Irish Stock Exchange, so long as any Securities are listed thereon, if the ratings assigned to any Class of Securities are reduced or withdrawn.

CERTAIN ERISA CONSIDERATIONS

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

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

The U.S. Department of Labor has promulgated a regulation, 29 CFR Section 2510.3-101 (as modified by Section 3(42) of ERISA, the “Plan Asset Regulation”), describing what constitutes the assets of a Plan with respect to the Plan’s investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an “equity interest” of an entity that is neither a “publicly-offered security” nor a security issued by an investment company registered under the Investment Company Act, the Plan’s assets include both the equity interest and an undivided interest in each of the entity’s underlying assets, unless it is established that the entity is an “operating company” or that equity participation in the entity by Benefit Plan Investors is not “significant.” The term “Benefit Plan Investor” is defined in the Plan Asset Regulation as (a) any employee benefit plan (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, (b) any plan described in Section 4975(e)(1) of the Code to which Section 4975 of the Code applies and (c) any entity whose underlying assets include plan assets by reason of a plan’s investment in the entity.

The Plan Asset Regulation defines an “equity interest” as an interest in an entity other than an interest that is treated as indebtedness under applicable local law and which has no substantial equity features. The Class A Notes, Class B Notes and Class C Notes should not be considered to be “equity interests” in the Issuer, although no assurance can be given in this regard. However, the Class D Notes and the Income Notes may constitute “equity interests” in the Issuer for purposes of the Plan Asset Regulation, and such Class D Notes and Income Notes will not constitute “publicly-offered securities” for purposes of the Plan Asset Regulation. In addition, the Issuer will not be registered under the Investment Company Act and it is not likely that the Issuer will qualify as an “operating company” for purposes of the Plan Asset Regulation. Therefore, if equity participation in the Issuer by Benefit Plan Investors is “significant” within the meaning of the Plan Asset Regulation, the assets of the Issuer could be considered to be the assets of any Plans that purchase or hold the Class D Notes or the Income Notes. In such circumstances, in addition to considering the applicability of ERISA and the Code to the Class D Notes or Income Notes, a Plan fiduciary considering an investment in the Class D Notes or the Income Notes would have to consider the applicability of Title I of ERISA and Section 4975 of the Code to transactions involving the Issuer, Investment Manager, Trustee, Collateral Administrator, Placement Agent or Initial Purchaser and their respective Affiliates, including whether such transactions might constitute a prohibited transaction under ERISA or Section 4975 of the Code or otherwise may result in a breach of fiduciary duty under ERISA.

Under the Plan Asset Regulation, equity participation in an entity (including the Issuer) by Benefit Plan Investors is “significant” on any date if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests in the entity is held by Benefit Plan Investors. For

purposes of this determination, the value of equity interests held by a person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the entity or that provides investment advice for a fee (direct or indirect) with respect to such assets (or any "affiliate" of such person (as defined in the Plan Asset Regulation) is disregarded (any such person with respect to the Issuer, a "Controlling Person").

The Issuer intends to prohibit investment in the Class D Notes by Benefit Plan Investors. In order to effect this limitation, each purchaser of Class D Notes by its purchasing and holding thereof will be deemed to represent, warrant and covenant that, for so long as it holds a beneficial interest in such Class D Notes, it is not a Benefit Plan Investor and is not acting on behalf of, or with the assets of, a Benefit Plan Investor.

The Issuer intends to limit investment in the Income Notes by Benefit Plan Investors to less than 25% of the Income Notes (excluding Income Notes held by Controlling Persons). In order to effect this limitation, each prospective purchaser of the Income Notes in the initial offering thereof will, in the case of Certificated Income Notes, be required to represent to the Trustee in writing as to whether such purchaser is a Benefit Plan Investor or Controlling Person and in the case of an interest in a Regulation S Global Note, be deemed to represent that it is not a Benefit Plan Investor or Controlling Person. The Income Notes will not be sold to any person to the extent it is determined that such acquisition would result in persons that have represented in writing to the Trustee that they are, or are acting on behalf of, Benefit Plan Investors owning 25% or more of the Income Notes (excluding Income Notes held by Controlling Persons) immediately after such sale, assuming, for this purpose, that all the representations made by Holders of such Notes are true. In addition, as a condition to the transfer of Income Notes after the initial offering thereof, each prospective transferee will be required to represent in writing to the Trustee (in the case of Certificated Notes) as to whether such transferee is a Benefit Plan Investor or Controlling Person, or will be deemed to represent by its purchase and holding (in the case of an interest in Regulation S Global Notes) that it is not a Benefit Plan Investor or Controlling Person, and the Trustee will not register the transfer of such Income Notes to any person to the extent it is determined that such acquisition would result in persons that have represented in writing to the Trustee that they are, or are acting on behalf of, Benefit Plan Investors owning 25% or more of the Income Notes (excluding Income Notes owned by Controlling Persons) immediately after such transfer.

Benefit Plan Investors and Controlling Persons may not purchase Income Notes represented by Regulation S Global Notes and any purchaser of such an Income Note by its purchasing and holding thereof will be deemed to represent, warrant and covenant that, for so long as it holds a beneficial interest in such Income Notes, it is not a Benefit Plan Investor or Controlling Person.

There can be no assurances that there will not be circumstances in which transfers of the Class D Notes or Income Notes will be required to be restricted in order to comply with the aforementioned transfer limitations. Moreover, there can be no assurance that, despite the restrictions relating to purchases by or proposed transfers to Benefit Plan Investors and Controlling Persons, the ownership or holding of the Class D Notes and the Income Notes will always be below the 25% threshold and the assets of the Issuer would not be deemed to constitute assets of any Plans that purchase or hold the Class D Notes or the Income Notes.

Additionally, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if Securities are acquired by a Plan with respect to which the Issuer, Investment Manager, Trustee, Collateral Administrator, Placement Agent, or Initial Purchaser, or any of their respective Affiliates, is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire an interest in a Senior Note and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions with certain service providers), Prohibited Transaction Class Exemption ("PTCE") 96-23 (relating to transactions directed by an in-house professional asset manager); PTCE 95-60 (relating to transactions involving insurance company general accounts); PTCE 91-38 (relating to investments by bank collective investment funds); PTCE 84-14 (relating to transactions effected by a qualified professional asset manager); and PTCE 90-1 (relating to investments by insurance company pooled separate accounts). There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Securities.

BY ITS PURCHASE OF ANY NOTE IN THE FORM OF A GLOBAL NOTE, THE PURCHASER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED, AND THE PURCHASER OF ANY CERTIFICATED NOTE WILL BE REQUIRED TO REPRESENT AND WARRANT, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER ACQUIRES ITS INTEREST IN SUCH SECURITY THROUGH AND INCLUDING THE DATE ON WHICH THE PURCHASER DISPOSES OF ITS INTEREST IN SUCH SECURITY, THAT ITS PURCHASE, HOLDING AND DISPOSITION OF SUCH SECURITY WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR A VIOLATION OF ANY APPLICABLE SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE, ALL THE CONDITIONS OF WHICH ARE SATISFIED.

Governmental plans and foreign and church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to Similar Laws. Fiduciaries of any such plans should consult with their counsel before purchasing any Securities.

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

The sale of interests in any Securities to a plan is in no respect a representation by the Issuer, Initial Purchaser, Placement Agent, Investment Manager, Trustee or Collateral Administrator that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any plan.

CERTAIN INCOME TAX CONSIDERATIONS

IRS Circular 230 Notice

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS OFFERING CIRCULAR OR ANY DOCUMENT REFERRED TO HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY PROSPECTIVE INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE CODE; (B) SUCH DISCUSSION IS WRITTEN FOR USE IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

General

The following summary describes certain U.S. federal income tax and Cayman Islands tax consequences of the purchase, ownership and disposition of the Notes. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Notes. In particular, special tax considerations that may apply to certain types of taxpayers, including securities dealers, banks, regulated investment companies, tax exempt investors and insurance companies, and subsequent purchasers of Notes, are not addressed. In addition, this summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States federal government and the Cayman Islands. In general, the summary assumes that a holder acquires a Note at original issuance and holds such Note as a capital asset and not as part of a hedge, straddle, or conversion transaction, within the meaning of section 1258 of the Internal Revenue Code of 1986, as amended (the "Code").

This summary is based on the U.S. and Cayman Islands tax laws, regulations, rulings and decisions in effect or available on the date of this Offering Circular, as well as the Cayman Islands undertaking described in "*Cayman Islands Tax Considerations*" below. All of the foregoing are subject to change, which change may apply retroactively and could affect the continued validity of this summary, although it is expected that no changes will apply in the Cayman Islands due to the undertaking.

Prospective purchasers of a Note should consult their own tax advisors as to U.S. federal income tax and Cayman Islands tax consequences of the purchase, ownership and disposition of such Note, including the possible application of state, local, non-U.S. or other tax laws.

Certain U.S. Federal Income Tax Considerations

As used in this section, the term "U.S. holder" means a holder of a Note who is a citizen or resident of the United States, a U.S. domestic corporation or partnership, any estate the income of which is subject to U.S. federal income tax regardless of the source of its income or any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

Tax Treatment of the Issuer

United States Federal Income Taxes. The Issuer expects to conduct its affairs so that it will not be treated as engaged in a trade or business within the United States. As a consequence, the Issuer expects that its net income will not become subject to United States federal income tax. There can be no assurance, however, that its net income will not become subject to United States federal income tax. In this regard, on the Closing Date the Issuer will receive an opinion from Cleary Gottlieb Steen & Hamilton LLP to the effect that, under current law and assuming compliance with the Issuer's Memorandum and Articles of Association, the Indenture, the Collateral Management Agreement, Operating Guidelines and other related documents, the Issuer's contemplated activities will not cause it to be engaged in a trade or business within the United States. You should be aware, however, that

the opinion simply represents counsel's best judgment, and is not binding on the IRS or the courts. In this regard, there are no authorities that deal with situations substantially identical to the Issuer's, and the Issuer could be treated as engaged in the conduct of a trade or business as the result of unanticipated activities, changes in law, contrary conclusions by the IRS or other causes. The IRS periodically issues a priority guidance plan indicating areas in which it intends to issue guidance. The current plan identifies guidance projects that could affect the Issuer. In addition, you should be aware that the opinion referred to above will expressly rely on the Collateral Manager's compliance with the Operating Guidelines, which are intended to prevent the Issuer from engaging in activities which could give rise to a trade or business within the United States. Although the Collateral Manager has generally undertaken to comply with the Operating Guidelines, the Collateral Manager is permitted to depart from the Operating Guidelines if it obtains an opinion from nationally recognized tax counsel that the departure will not cause the Issuer to be treated as engaged in a trade or business within the United States. Any such departures would not be covered by the opinion of Cleary Gottlieb Steen & Hamilton LLP referred to above. If the Issuer were engaged in a trade or business in the United States, it would potentially be subject to substantial U.S. federal income taxes. The imposition of such taxes would materially affect the Issuer's financial ability to repay the Notes.

Pursuant to the Collateral Management Agreement, the Collateral Manager has agreed not to intentionally or with reckless disregard take or omit to take any action that is reasonably likely to cause the Issuer to be engaged in a trade or business in the United States. As discussed in more detail in "*The Collateral Manager and the Collateral Management Agreement—The Collateral Management Agreement*", the Collateral Manager will not be liable to the Issuer or the Holders of the Notes for any loss incurred as a result of the actions taken or omitted by the Collateral Manager under the Collateral Management Agreement, except as may result from acts or omissions constituting bad faith, fraud, willful misconduct or gross negligence in the performance of, or reckless disregard of, its duties and obligations. Accordingly, the Collateral Manager's liability to the Issuer and the Holders of the Securities will be limited in the event the Issuer is, or is deemed to be, engaged in a trade or business in the United States.

With respect to Cayman Islands taxation, see the discussion below in "*—Cayman Islands Tax Considerations.*"

Withholding Taxes. Although the Issuer does not intend to be subject to U.S. federal income tax with respect to its net income, income derived by the Issuer may be subject to withholding taxes imposed by non-U.S. countries, and certain fee income may be subject to U.S. withholding tax. In this regard, the Issuer may only acquire a particular Collateral Obligation if the obligation will not subject the Issuer, with respect to payments due under its terms or proceeds of its disposal, to a withholding tax or the obligor or issuer of the obligation is required to make "gross-up" payments. Any commitment fees received by the Issuer in respect of a revolving Collateral Obligation may be subject to U.S. withholding tax, which would reduce the Issuer's net income from such activities.

Tax Treatment of U.S. Holders of the Senior Notes

Status of, and Interest and Discount on, the Class A Notes. The Class A Notes will be treated as debt for U.S. federal income tax purposes. U.S. holders of Class A Notes generally will include payments of stated interest received on the Class A Notes, in accordance with their tax method of accounting, as ordinary interest income from sources outside the United States. In general, if the issue price of a Class A Note (the first price at which a substantial amount of Class A Notes of the same Class were sold to investors) is less than its principal amount by more than a de minimis amount, the Class A Note will be considered to have original issue discount ("OID"). If a U.S. holder acquires a Class A Note with OID, then regardless of such holder's method of accounting, the holder will be required to include such OID in income as it accrues under a constant yield method. Accruals of OID will be based on the weighted average life of the Class A Notes rather than their Maturity Date. In the case of the Class A Notes, accruals of OID, if any, should be calculated by assuming that interest will be paid over the life of the Class A Notes based on the value of LIBOR used in setting interest for the first Periodic Interest Accrual Period, and then adjusting the income for each subsequent Periodic Interest Accrual Period for any difference between the actual value of LIBOR used in setting interest for that subsequent Periodic Interest Accrual Period and the assumed rate. It is not anticipated that the Class A Notes will be issued with OID.

Status of, and Interest and Discount on, the Class B Notes, Class C Notes and Class D Notes. The Class B Notes and the Class C Notes will be treated as debt for U.S. federal income tax purposes. The Class D Notes should be treated as debt for U.S. federal income tax purposes.

Because payments of stated interest on the Class B Notes, Class C Notes and Class D Notes (together, the “Mezzanine Notes”) are contingent on available funds and subject to deferral, the Mezzanine Notes will be treated for U.S. federal income tax purposes as issued with OID. The total amount of such discount with respect to a Mezzanine Note will equal the sum of all payments to be received under such Note less its issue price (the price at which a substantial amount of Mezzanine Notes of the same Class were sold to investors). A U.S. holder of Mezzanine Notes will be required to include OID in income as it accrues. The amount of OID accruing in any Periodic Interest Accrual Period will generally equal the stated interest accruing in that period (whether or not currently due) plus any additional amount representing the accrual under a constant yield method of any additional OID represented by the excess of the principal amount of the Mezzanine Notes over their issue price. Accruals of any such additional OID will be based on the weighted average life of the Mezzanine Notes rather than their Maturity Date. Accruals of OID, if any, should be calculated by assuming that interest will be paid over the life of the Notes based on the value of LIBOR used in setting interest for the first Periodic Interest Accrual Period, and then adjusting the income for each subsequent Periodic Interest Accrual Period for any difference between the actual value of LIBOR used in setting interest for that subsequent Periodic Interest Accrual Period and the assumed rate.

Sale and Retirement. In general, a U.S. holder of a Senior Note will have a basis in such Senior Note equal to the cost of the Senior Note to such holder, increased by any amount includible in income by such holder as OID and reduced by any payments thereon other than payments of stated interest. Upon a sale or exchange of a Senior Note, a U.S. holder will generally recognize gain or loss equal to the difference between the amount realized (less any accrued interest, which would be taxable as such) and the holder’s tax basis in such Senior Note. Such gain or loss will be long-term capital gain or loss if the U.S. holder has held the Senior Note for more than one year at the time of disposition. In certain circumstances, U.S. holders that are individuals may be entitled to preferential treatment for net long-term capital gains; however, the ability of U.S. holders to offset capital losses against ordinary income is limited. A U.S. holder that purchased its Senior Note at a discount may also recognize gain upon receipt of a principal payment upon retirement (in whole or in part) equal to the difference between the amount received and the portion of its basis that is considered to be allocable to such payment. Such gain may be ordinary income.

Tax Treatment of U.S. Holders of Income Notes

Status of Income Notes. For purposes of Cayman Islands law, the Income Notes will be characterized as debt of the Issuer. A strong likelihood exists, however, that the Income Notes will be treated as equity of the Issuer for U.S. federal income tax purposes. The Issuer will treat the Income Notes as equity for such purposes. Except where otherwise indicated, this summary also assumes such treatment. No assurance can be given, however, that the IRS will respect this position in light of the Income Notes’ status as debt for purposes of Cayman Islands law.

In general, the timing and character of income on the Income Notes may differ substantially depending on whether the Income Notes are treated for federal income tax purposes as debt instruments or as equity of the Issuer. Investors should consider the tax consequences of an investment in the Income Notes under either possible characterization. In general, the characterization of an instrument for U.S. federal income tax purposes as debt or equity by its issuer as of the time of issuance is binding on a holder (but not the IRS), unless the holder takes an inconsistent position and discloses such position in its tax return.

Investment in a Passive Foreign Investment Company. The Issuer will meet the income and asset tests so as to qualify as a “passive foreign investment company” (“PFIC”). In general, to avoid certain adverse tax rules described below that apply to deferred income from a PFIC, a U.S. holder of Income Notes may want to make an election to treat the Issuer as a “qualified electing fund” (“QEF”) with respect to such holder. Generally, a QEF election should be made on or before the due date for filing a U.S. holder’s federal income tax return for the first taxable year for which it holds Income Notes. If a timely QEF election is made, an electing U.S. holder will be required to include in gross income such holder’s pro rata share of the Issuer’s ordinary earnings and to include as long-term capital gain such holder’s pro rata share of the Issuer’s net capital gain, whether or not distributed, assuming that the Issuer is not a “controlled foreign corporation” as discussed below. In certain cases in which a QEF does not distribute all of its earnings in a taxable year, its U.S. shareholders may also be permitted to elect to

defer payment of some or all of the taxes on the QEF's undistributed income subject to an interest charge on the deferred amount. Prospective purchasers of Income Notes should be aware that the Collateral Debt Obligations may be purchased by the Issuer with substantial original issue discount. As a result, the Issuer may have significant ordinary earnings from such instruments, but the receipt of cash attributable to such earnings may be deferred, perhaps for a substantial period of time. In addition, under certain circumstances, Interest Proceeds may be used to pay principal of the Senior Notes or to purchase additional Collateral Debt Obligations. Thus, absent an election to defer payment of taxes, U.S. holders that make a QEF election may owe tax on significant "phantom" income.

The Issuer will provide, upon request, all information that a U.S. holder of Income Notes making a QEF election is required to obtain for U.S. federal income tax purposes (*e.g.*, the U.S. holder's *pro rata* share of ordinary income and net capital gain), will provide, upon request, a "PFIC Annual Information Statement" as described in Treasury Regulation 1.1295-1 (or in any successor IRS release or Treasury regulation), including all representations and statements required by such statement, and will take any other reasonable steps to facilitate such election. The Issuer shall also elect to calculate and report the amount and category of each type of long-term capital gain as provided in Section 1(h) of the Code that was recognized by the Issuer with respect to each taxable year of the Issuer.

If a U.S. holder does not make a timely QEF election for the year in which it acquired its Income Notes and the PFIC rules are otherwise applicable, such holder will be subject to a special tax at ordinary income rates on so-called "excess distributions," including both certain distributions from the Issuer and gain on the sale of Income Notes. The amount of income tax on excess distributions will be increased by an interest charge to compensate for tax deferral, calculated as if excess distributions were earned ratably over the period the taxpayer held its PFIC stock. In many cases, the tax on excess distributions will be more onerous than the treatment applicable if a timely QEF election were made. Classification as a PFIC may also have other adverse tax consequences including, in the case of individuals, the denial of a "step up" in the basis of the Income Notes at death.

Where a QEF election is not timely made by a U.S. holder for the year in which it acquired its Income Notes, but is made for a later year, the excess distribution rules can be avoided by making an election to recognize gain from a deemed sale of the Income Notes at the time when the QEF election becomes effective. A U.S. holder should consult with its own advisors regarding the U.S. federal income tax consequences of investing in a PFIC and the desirability of making the QEF election.

U.S. HOLDERS OF INCOME NOTES SHOULD CONSIDER CAREFULLY WHETHER TO MAKE A QEF ELECTION WITH RESPECT TO THE INCOME NOTES AND THE CONSEQUENCES OF NOT MAKING SUCH AN ELECTION.

Investment in a Controlled Foreign Corporation. Depending on the degree of ownership of the Income Notes by U.S. Shareholders, the Issuer may be a controlled foreign corporation ("CFC"). In general, a foreign corporation will be a CFC if more than 50% of the shares of the corporation, measured by combined voting power or value, is held, directly or indirectly, by U.S. Shareholders. A U.S. Shareholder ("U.S. Shareholder"), for this purpose, is any U.S. person that possesses 10% or more of the combined voting power of all classes of shares of a corporation. It is possible that the IRS would assert that the Income Notes are voting securities and that U.S. holders possessing 10% or more of such voting securities are U.S. Shareholders. If this argument were successful and more than 50% of the Income Notes were held by such U.S. Shareholders, the Issuer would be treated as a CFC.

Under the rules applicable to CFCs, subject to certain exceptions, a U.S. Shareholder of the Issuer at the end of a taxable year of the Issuer would be required to recognize ordinary income in an amount equal to that person's *pro rata* share of the "subpart F income" of the Issuer for the year. Among other items, and subject to certain exceptions, "subpart F income" includes interest, gains from the sale of securities and income from certain notional principal contracts (*e.g.*, swaps and caps). It is likely that substantially all of the Issuer's income will be subpart F income. If more than 70% of the Issuer's income is subpart F income, then 100% of its income will be so treated.

Under the rules applicable to CFCs, a U.S. Shareholder of the Issuer would be taxable on the subpart F income of the Issuer under the CFC regime and not under the PFIC rules previously described. As a result, to the extent subpart F income of the Issuer includes net capital gains, such gains will be treated as ordinary income of the

U.S. Shareholder, notwithstanding the fact that generally the character of such gains otherwise would be preserved under the PFIC rules if a QEF election were made. Also, the PFIC rule permitting the deferral of tax on undistributed earnings would not apply.

A holder of Income Notes that is a U.S. Shareholder of the Issuer subject to the CFC rules for only a portion of the time in which it holds its Income Notes should consult its own tax advisors regarding the interaction of the PFIC and CFC rules.

Indirect Interests in PFICs and CFCs. If the Issuer holds a security of a non-U.S. corporation that is treated as equity for U.S. federal income tax purposes, U.S. holders of Income Notes could be treated as holding an indirect investment in a PFIC or a CFC and could be subject to certain adverse tax consequences. Holders should consult their tax advisors regarding the issues relating to such investments.

Distributions on Income Notes. The treatment of actual cash distributions in respect of the Income Notes, in very general terms, will vary depending on whether a U.S. holder has made a timely QEF election as described above. If a timely QEF election has been made, dividends (which are distributions up to the amount of current and accumulated earnings and profits of the Issuer) allocable to amounts previously taxed pursuant to the QEF election will not be taxable to U.S. holders. Similarly, if the Issuer is a CFC of which the U.S. holder is a U.S. Shareholder, dividends will be allocated first to amounts previously taxed pursuant to the CFC rules and to this extent will not be taxable to U.S. holders. Dividends in excess of such previously taxed amounts will be taxable to U.S. holders as ordinary income upon receipt, and will not be eligible for the dividends-received deduction (in the case of corporate U.S. holders) or the reduced rates of tax applicable to dividends from certain qualified foreign corporations (in the case of individual U.S. holders). Distributions in excess of any current and accumulated earnings and profits will be treated first as a nontaxable return of capital, to the extent of the holder's tax basis in the Income Notes, and then as capital gain.

In the event that a U.S. holder does not make a timely QEF election, then except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC rules, some or all of any dividends distributed with respect to the Income Notes may be considered excess distributions, taxable as previously described.

Sale, Redemption or other Disposition of Income Notes. In general, a U.S. holder of an Income Note will recognize gain or loss (which will be capital gain or loss, except as discussed below) upon the sale or exchange of such Income Note equal to the difference between the amount realized and such holder's adjusted tax basis in the Income Note. A U.S. holder's tax basis in a Income Note will generally equal the amount paid for such Income Note, increased by amounts taxable to such holder by virtue of a QEF election, or under the CFC rules, and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or represent a return of capital.

If a U.S. holder does not make a timely QEF election as described above, any gain realized on the sale or exchange of a Income Note will be treated as an excess distribution and effectively taxed as ordinary income under the special tax rules described above.

If the Issuer were treated as a CFC and a U.S. holder were treated as a U.S. Shareholder therein, then any gain realized by such holder upon the disposition of its Income Notes, other than gain constituting an excess distribution under the PFIC rules, would be treated as ordinary income to the extent of the U.S. holder's share of the current and accumulated earnings and profits of the Issuer. In this respect, earnings and profits would not include any amounts previously taxed pursuant to a timely QEF election or pursuant to the CFC rules.

The pledge of stock of a PFIC may in some circumstances be treated as a disposition of such stock.

Tax Treatment of Tax-Exempt U.S. Holders

In general, a tax-exempt U.S. holder of the Notes will not be subject to tax on unrelated business taxable income ("UBTI") with respect to income from the Notes regardless of whether they are treated as equity or debt for

U.S. federal income tax purposes, except to the extent that the Notes are considered debt-financed property (as defined in the Code) of that entity. A tax-exempt holder that owns more than 50% of the Outstanding Income Notes and also owns Senior Notes should consider the possible application of the special UBTI rules for amounts received from controlled entities.

A tax-exempt entity may not make a QEF election if the tax-exempt entity would not otherwise be subject to tax on income from the Income Notes.

Tax Treatment of Non-U.S. Holders

A non-U.S. holder of the Notes (regardless of whether the Notes are treated as debt or equity) will be exempt from any U.S. federal income or withholding taxes with respect to gain derived from the sale, exchange, or redemption of, or any distributions received in respect of, the Notes, unless such gain or distributions are effectively connected with a U.S. trade or business of such holder, or, in the case of gain, such holder is a nonresident alien individual who holds the Notes as a capital asset and who is present in the United States more than 182 days in the taxable year of the sale and certain other conditions are met. A non-U.S. holder will not be considered to be engaged in a U.S. trade or business solely by reason of holding Notes. “Non-effectively connected” gain or distributions received by a non-U.S. holder will not be subject to U.S. information reporting requirements or U.S. backup withholding, although such holders may be required to furnish a certificate to the paying agent of the Issuer attesting to their status as non-U.S. holders.

Information Reporting and Backup Withholding

Information reporting to the IRS generally will be required with respect to payments on the Notes and proceeds of the sale of the Notes to holders other than corporations and other exempt recipients. A “backup” withholding tax will apply to those payments if such holder fails to provide certain identifying information (such as such holder’s taxpayer identification number) to the Trustee or other paying agent. Non-U.S. holders may be required to comply with applicable certification procedures to establish that they are not U.S. holders in order to avoid the application of such information reporting requirements and backup withholding.

Transfer Reporting Requirements

Treasury regulations require reporting for certain transfers of property (including cash) to a foreign corporation by U.S. persons. In general, U.S. holders who acquire Income Notes are required to file a Form 926 with the IRS and to supply certain information to the IRS. If a U.S. holder fails to comply with the reporting requirements, the U.S. holder may be subject to a penalty equal to 10% of the gross amount paid for the applicable Notes, subject to a maximum penalty of U.S. \$100,000 (except in cases involving intentional disregard). Purchasers of Income Notes are urged to consult their tax advisors regarding these reporting requirements.

In addition, the Code and related Treasury regulations require that any U.S. holder that directly or indirectly owns a significant portion of the voting power or value of the Issuer’s equity (generally 10 percent, but in some cases more than 50 percent) must comply with certain reporting requirements. While it is unclear how the voting power of the applicable Notes would be measured for this purpose, a U.S. Holder that owns less than 10 percent (or 50 percent or less, as applicable) of the applicable Notes should not be required to file this return. In general, such holders of the applicable percentage of the voting power or value of the Issuer’s equity are required to file a Form 5471 with the IRS and to supply certain information with the IRS, including with respect to the activities and assets of the Issuer and other holders of the Income Notes. If a U.S. holder fails to comply with the reporting requirements, the U.S. holder may be subject to a penalty, depending on the circumstances, equal to U.S. \$10,000 for each failure to comply, subject to a maximum of U.S. \$60,000. Purchasers of Income Notes are urged to consult their tax advisors regarding these reporting requirements.

Cayman Islands Tax Considerations

The following summary is a general description of certain Cayman Islands tax considerations relating to the Notes issued by the Issuer and does not purport to be a complete analysis of all Cayman Islands tax considerations

relating to such Notes. Prospective purchasers should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Cayman Islands of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts and distributions under the Notes. This summary is based upon law and practice as in effect on the date of this Offering Circular and is subject to any change in law or practice that may take effect after such date.

Holders of Notes are not subject to any tax in the Cayman Islands in respect of the holding, sale or other disposition of Notes issued by the Issuer. Payments of principal and interest on such Notes may be made by the Issuer without withholding or deductions for or on account of Cayman Islands income tax. The Cayman Islands currently have no income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax.

Stamp duty is payable in respect of Notes if such Notes are executed in or later brought into the Cayman Islands, although such duty would be limited in the case of certain instruments issued in series since the Issuer is an exempted company.

Holders of Notes whose Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Notes; and registered securities evidencing a Note or Notes to which title is not transferable by delivery will not attract Cayman Island stamp duties. However, an instrument transferring title to such a registered security, if brought into or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

The Issuer has been incorporated as an exempted company and, as such, has obtained from the Governor-in-Cabinet of the Cayman Islands an Undertaking as to Tax Concessions in accordance with Section 6 of the Tax Concessions Law (1999 Revision) providing (i) that no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations; and (ii) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (a) on or respect of the shares debentures or other obligations of the Issuer or (b) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

LISTING AND GENERAL INFORMATION

Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Daily Official List. No assurances can be given that any such listing will be obtained with respect to the Notes. The issuance and settlement of the Securities on the Closing Date are not conditioned on the listing of any Securities on the Irish Stock Exchange. As part of the harmonization of securities markets in Europe, the European Commission has adopted a directive known as the Prospectus Directive (which was required to be implemented by member states by July 1, 2005) that regulates offers of securities to the public and admissions to trading to E.U. regulated markets. A directive known as the Transparency Directive which came into force in the European Union at the beginning of 2005 and is required to be implemented by member states by early 2007, will among other things, impose continuing financial reporting obligations on issuers that have certain types of securities admitted to trading on an E.U. regulated market. In addition, the Market Abuse Directive harmonizes the rules on insider trading and market manipulation in respect of securities admitted to trading on an E.U. regulated market and requires issuers of such securities to disclose any non-public price-sensitive information as soon as possible, subject to certain limited exemptions. The listing of Securities on the Irish Stock Exchange would subject the Issuer to regulation under these directives, although the requirements applicable to the Issuer are not yet fully clarified. The Indenture will not require the Issuer to maintain a listing for any Class of Securities on an E.U. stock exchange (or other exchange) if compliance with these directives (or other requirements adopted by the European Commission or a relevant member state or other government, exchange or listing authority) becomes burdensome in the sole judgment of the Collateral Manager.

If and for so long as any Class of Securities is listed on the Irish Stock Exchange, copies of the Articles of the Issuer, the Certificate of Incorporation and By-laws of the Co-Issuer and the resolutions of the Board of Directors of the Co-Issuers authorizing the issuance of the Securities and the Indenture, will be available for inspection at the office of the Trustee. The Issuer is not required by Cayman Islands law, and the Issuer does not intend, to publish annual reports and accounts. The Co-Issuer is not required by Delaware law, and the Co-Issuer does not intend, to publish annual reports and accounts. The Indenture, however, requires the Issuer to provide the Trustee with written confirmation, on an annual basis, that to the best of its knowledge following review of the activities of the prior year, no Default has occurred or, if one has, specifying the same.

Each of the Co-Issuers represents that, as of the date of this Offering Circular, there has been no material adverse change in its financial position since the date of its creation. Neither of the Co-Issuers is involved, or has been involved since incorporation, in any litigation or arbitration proceedings relating to claims on amounts which may have or have had a material effect on the Co-Issuers in the context of the issue of the Securities, nor, so far as the Co-Issuer is aware, is any such litigation or arbitration involving it pending or threatened.

The issuance of the Securities will be authorized by the Board of Directors of the Issuer by resolutions passed on or about the Closing Date. The issuance of the Class A Notes, Class B Notes and Class C Notes will be authorized by the Board of Directors of the Co-Issuer by resolutions passed on or about the Closing Date. Since incorporation neither the Issuer nor the Co-Issuer has commenced trading, established any accounts or declared any dividends, except for the transactions described herein relating to the issuance of the Securities and, in the case of the Issuer, certain warehouse arrangements described herein.

The Regulation S Global Notes sold in offshore transactions in reliance on Regulation S and represented by the Regulation S Global Notes have been accepted for clearance through Euroclear and Clearstream with the following identification numbers:

Regulation S Global Notes

<u>Class</u>	<u>CUSIP Number</u>	<u>Common Code</u>	<u>ISIN Number</u>
A-1	G2201N AA 3	028119895	USG2201NAA30
A-2	G2201N AB 1	028119925	USG2201NAB13
B	G2201N AC 9	028119992	USG2201NAC95
C	G2201N AD 7	028120052	USG2201NAD78
D	G22010 AA 3	028120109	USG22010AA36
Income Notes	G22010 AB 1	028120176	USG22010AB19

The Rule 144A Notes represented by the Rule 144A Global Notes have been accepted for clearance through DTC with the following identification numbers:

Rule 144A Global Notes

<u>Class</u>	<u>CUSIP Number</u>
A-1	184588 AA 9
A-2	184588 AB 7
B	184588 AC 5
C	184588 AD 3
D	184586 AA 3

Certificated Notes

	<u>CUSIP Number</u>
Income Note Rule 144A	184586 AB 1
Income Note Accredited Investor	184586 AD 7

CERTAIN LEGAL MATTERS

The validity of the Notes and certain other legal matters will be passed upon for the Co-Issuers and Citigroup Global Markets Inc., as Initial Purchaser and as Placement Agent, by Cleary Gottlieb Steen & Hamilton LLP. Certain legal matters relating to Cayman Islands law will be passed on for the Issuer by Walkers. Certain legal matters will be passed upon for the Collateral Manager by McDermott Will & Emery LLP.

GLOSSARY OF CERTAIN DEFINED TERMS

Set forth below are definitions of certain defined terms used in this Offering Circular.

“Accredited Investors”: “Accredited investors” as defined in Rule 501(a) under the Securities Act.

“Administration Agreement”: The Administration Agreement, dated as of the Closing Date, between the Administrator and the Issuer in respect of certain corporate and administrative services provided to the Issuer by the Administrator.

“Administrative Expenses”: Amounts due from or accrued for the account of the Issuer or the Co-Issuer to, in the following order of priority, (i) any Person in respect of any governmental fee, charge or tax imposed on or applicable to the Issuer (including all filing, registration and annual return fees payable to the Cayman Islands’ government and registered office fees); (ii) the Trustee for any amount owed to the Trustee under the Indenture (other than indemnification owed under the Indenture); (iii) the Collateral Administrator for the Collateral Administrator Fee and Collateral Administrator Expenses; (iv) ordinary fees and ordinary expenses of the Rating Agencies in connection with the rating of the Securities, including fees for any credit estimates and ongoing surveillance fees, and the ordinary fees and ordinary expenses of the Independent Accountants appointed under the Indenture; (v) the Trustee for indemnification amounts owed to the Trustee under the Indenture; (vi) the Administrator as provided in the Administration Agreement; and (vii) any other Person in respect of any other expenses permitted under the Indenture and the documents delivered pursuant to or in connection with the Indenture, the Collateral Administration Agreement and the Securities and any other expenses and indemnification obligations of the Co-Issuers including, without limitation, expenses and indemnification obligations (but not fees) owed to the Collateral Manager; *provided, however*, that Administrative Expenses shall not include any amounts due or accrued with respect to actions taken on or prior to the Closing Date, which amounts will be payable only from the Expense Reserve Account.

“Administrator”: Walkers SPV Limited or any successor.

“Advisers Act”: The U.S. Investment Advisers Act of 1940, as amended.

“Affiliate”: With respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing. For purposes of this definition, (i) the management of an account by one Person for the benefit of any other Person shall not constitute “control” of such other Person and (ii) with respect to the Issuer, “Affiliate” does not include Walkers SPV Limited or any entities which Walkers SPV Limited controls or administers.

“Aggregate Principal Amount”: With respect to any date of determination, (i) when used with respect to any Class or Classes of Notes as a whole (or any specified Notes of any such Class), the original principal amount of such Class or Classes (or of such specified Notes) reduced, in the case of the Senior Notes only, by all prior payments, if any, made with respect to the principal of such Class or Classes (or such specified Senior Notes) (ii) when used with respect to all of the Senior Notes, the sum of (a) the Aggregate Principal Amount of the Class A-1 Notes, (b) the Aggregate Principal Amount of the Class A-2 Notes, (c) the Aggregate Principal Amount of the Class B Notes, (d) the Aggregate Principal Amount of the Class C Notes and (e) the Aggregate Principal Amount of the Class D Notes and (iv) when used with respect to all of the Notes, the sum of (a) the Aggregate Principal Amount of the Senior Notes and (b) the Aggregate Principal Amount of the Income Notes.

“Aggregate Principal Balance”: When used with respect to the Collateral Obligations or the Eligible Investments, the sum of the Principal Balances of all the Collateral Obligations or Eligible Investments, respectively. When used with respect to a portion of the Collateral Obligations or Eligible Investments, the sum of the Principal Balances of that portion of the Collateral Obligations or Eligible Investments.

“Aggregate Unfunded Amount”: As of any date of determination, the aggregate Unfunded Portions with respect to all Revolving Loans held by the Issuer as of such date.

“Applicable Advance Rate”: For each Collateral Obligation and for the applicable number of Business Days between the certification date for a sale as described in “*Description of the Notes—Optional Redemption*” and the expected date of such sale, the percentage specified below:

	1-2 days	3-5 days	6-15 days
Moody’s Senior Secured Loans with a Market Value:			
of 90% or more	93%	92%	88%
below 90%	80%	73%	60%
Other Collateral Obligations with a Moody’s Rating of at least “B3” and a Market Value of 90% or more	89%	85%	75%
All other Collateral Obligations	75%	65%	45%

“Articles”: The Memorandum of Association and the Articles of Association of the Issuer, as each may be amended and restated from time to time.

“Benefit Plan Investor”: A “benefit plan investor” within the meaning of 29 C.F.R. Section 2510.3-101(f)(2) as modified by Section 3(42) of ERISA.

“Bond”: A debt obligation (other than a Structured Finance Obligation) in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans) or other debt security.

“Business Day”: (i) Any day that is not a Saturday, Sunday or a day on which banking institutions are authorized or obligated by law, regulation or executive order to close in New York City or the city of the corporate trust office of the Trustee or, in the case of the final payment of principal of a Note, the place of presentation of such Note or (ii) for the sole purpose of the determination of LIBOR Determination Dates, any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market. To the extent action is required of the Paying Agent in Ireland, Dublin, Ireland will be considered in determining “Business Day” for purposes of determining when such Paying Agent action is required.

“Caa Collateral Obligation”: A Collateral Obligation (other than a Defaulted Obligation) with a Moody’s Obligation Rating of “Caa1” or lower.

“Caa Excess”: The Excess, if any, by which (i) the Aggregate Principal Balance of Caa Collateral Obligations exceeds (ii) 7.5% of the Collateral Principal Amount; *provided* that in determining which of the Caa Collateral Obligations shall be included in the Caa Excess, the Caa Collateral Obligations with the lowest Market Value shall be deemed to constitute such Caa Excess.

“Caa/CCC Excess”: The greater of the Caa Excess and the CCC Excess.

“CCC Collateral Obligation”: A Collateral Obligation (other than a Defaulted Obligation) with an S&P Rating of “CCC+” or lower.

“CCC Excess”: The Excess, if any, by which (i) the Aggregate Principal Balance of CCC Collateral Obligations exceeds (ii) 7.5% of the Collateral Principal Amount; *provided* that in determining which of the CCC Collateral Obligations shall be included in the CCC Excess, the CCC Collateral Obligations with the lowest Market Value shall be deemed to constitute such CCC Excess.

“Cede”: Cede & Co.

“Certificated Note”: Each of the Income Notes issued to qualifying U.S. Persons in the form of definitive, physical certificates in fully registered form.

“Class”: When referring to the Notes or Securities, Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes and/or the Income Notes, as appropriate.

“Class A Notes”: The Class A-1 Notes and Class A-2 Notes, collectively.

“Class A-1 Interest Amount”: With respect to a Payment Date, (a) the product of (i) the Aggregate Principal Amount of the Class A-1 Notes as of the beginning of the relevant Periodic Interest Accrual Period plus the amount of any unpaid Class A-1 Interest Amount from the prior Payment Date, (ii) the Class A-1 Interest Rate for such period, (iii) the actual number of days in such period and (iv) 1/360 plus (b) the amount of any unpaid Class A-1 Interest Amount from the prior Payment Date.

“Class A-1 Interest Rate”: The annual interest rate accruing on the Class A-1 Notes equal to LIBOR plus 0.25%.

“Class A-1 Notes”: U.S. \$343,000,000 Class A-1 Floating Rate Senior Notes Due 2020.

“Class A-2 Interest Amount”: With respect to a Payment Date, (a) the product of (i) the Aggregate Principal Amount of the Class A-2 Notes as of the beginning of the relevant Periodic Interest Accrual Period plus the amount of any unpaid Class A-2 Interest Amount from the prior Payment Date, (ii) the Class A-2 Interest Rate for such period, (iii) the actual number of days in such period and (iv) 1/360 plus (b) the amount of any unpaid Class A-2 Interest Amount from the prior Payment Date.

“Class A-2 Interest Rate”: The annual interest rate accruing on the Class A-2 Notes equal to LIBOR plus 0.38%.

“Class A-2 Notes”: U.S. \$21,500,000 Class A-2 Floating Rate Senior Notes Due 2020.

“Class B Interest Amount”: With respect to a Payment Date, the product of (i) the Aggregate Principal Amount of the Class B Notes as of the beginning of the relevant Periodic Interest Accrual Period plus the aggregate Deferred Interest with respect to the Class B Notes after the preceding Payment Date, (ii) the Class B Interest Rate for such period, (iii) the actual number of days in such period and (iv) 1/360.

“Class B Interest Rate”: The annual interest rate accruing on the Class B Notes equal to LIBOR plus 0.69%.

“Class B Notes”: U.S. \$27,000,000 Class B Floating Rate Deferrable Senior Subordinate Notes Due 2020.

“Class C Interest Amount”: With respect to a Payment Date, the product of (i) the Aggregate Principal Amount of the Class C Notes as of the beginning of the relevant Periodic Interest Accrual Period plus the aggregate Deferred Interest with respect to the Class C Notes after the preceding Payment Date, (ii) the Class C Interest Rate for such period, (iii) the actual number of days in such period and (iv) 1/360.

“Class C Interest Rate”: The annual interest rate accruing on the Class C Notes equal to LIBOR plus 1.45%.

“Class C Notes”: U.S. \$20,000,000 Class C Floating Rate Deferrable Senior Subordinate Notes Due 2020.

“Class D Interest Amount”: With respect to a Payment Date, the product of (i) the Aggregate Principal Amount of the Class D Notes as of the beginning of the relevant Periodic Interest Accrual Period plus the aggregate Deferred Interest with respect to the Class D Notes after the preceding Payment Date, (ii) the Class D Interest Rate for such period, (iii) the actual number of days in such period and (iv) 1/360.

“Class D Interest Rate”: The annual interest rate accruing on the Class D Notes equal to LIBOR plus 3.75%.

“Class D Notes”: U.S. \$15,500,000 Class D Floating Rate Deferrable Subordinate Notes Due 2020.

“Clearing Agency”: A “Clearing Agency” as defined in the Exchange Act.

“Clearstream”: Clearstream Banking, société anonyme, a corporation organized under the laws of the Grand Duchy of Luxembourg, or any successor thereto.

“Closing Date”: On or about January 18, 2007.

“Code”: The United States Internal Revenue Code of 1986, as amended, and any successor statute thereto.

“Co-Issuer”: Clear Lake CLO, Corp., a corporation incorporated under the laws of the State of Delaware, and its permitted successors and assigns.

“Collateral Administration Agreement”: As defined in “*Description of the Notes—The Indenture and the Collateral Administration Agreement—Trustee and Collateral Administrator.*”

“Collateral Administrator”: Wells Fargo Bank, National Association, as collateral administrator under the Collateral Administration Agreement and its permitted successors.

“Collateral Administrator Expenses”: As defined in “*Description of the Notes—The Indenture and the Collateral Administration Agreement—Trustee and Collateral Administrator.*”

“Collateral Administrator Fee”: As defined in “*Description of the Notes—The Indenture and the Collateral Administration Agreement—Trustee and Collateral Administrator.*”

“Collateral Interest Amount”: As of any date of determination, the aggregate amount of Interest Proceeds that have been received or are reasonably expected to be received, in each case during the Collection Period in which such date of determination occurs.

“Collateral Management Agreement”: The Management Agreement, dated as of the Closing Date, as amended from time to time, between the Issuer and the Collateral Manager.

“Collateral Manager”: Jefferies Capital Management, Inc. and its permitted successors and assigns and replacements.

“Collateral Obligation”: Each of the obligations satisfying the Collateral Obligation Eligibility Criteria that are included in the Collateral.

“Collateral Obligation Eligibility Criteria”: The criteria described in “*Security for the Notes—Collateral Obligations.*”

“Collateral Principal Amount”: As of any date of determination, the sum of (a) the Aggregate Principal Balance of the Collateral Obligations (other than (i) Defaulted Obligations and (ii) Deferring PIK Obligations), (b) without duplication, the amounts on deposit in the Collection Account and the Ramp-Up Account (including Eligible Investments therein) representing Principal Proceeds and (c) the lesser of the (i) S&P Collateral Value of all Defaulted Obligations and all Deferring PIK Obligations and (ii) Moody’s Collateral Value of all Defaulted Obligations and all Deferring PIK Obligations.

“Collection Account”: The collection account established under the Indenture.

“Collection Period”: (i) For the first Payment Date, the period from and including the Closing Date to and including the Determination Date related to such Payment Date and (ii) for each Payment Date thereafter, the period from but excluding the Determination Date related to the prior Payment Date to and including the Determination Date related to such Payment Date; *provided* that the final Collection Period shall end on and include the Business Day immediately prior to the Maturity Date (or, if applicable, the Optional Redemption Date).

“Commission”: The United States Securities and Exchange Commission.

“Controlling Class”: The Class A-1 Notes, so long as any Class A-1 Notes are outstanding; then the Class A-2 Notes, so long as any Class A-2 Notes are outstanding; then the Class B Notes, so long as any Class B Notes are outstanding; then the Class C Notes, so long as any Class C Notes are outstanding; then the Class D Notes, so long as any Class D Notes are outstanding; and then the Income Notes, so long as any Income Notes are outstanding.

“Controlling Person”: A person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer or that provides investment advice for a fee (direct or indirect) with respect to such assets (or any “affiliate” of such a person (as defined in the Plan Asset Regulation)).

“Coverage Tests”: The Interest Coverage Tests and the Overcollateralization Tests.

“Credit Improved Obligation”: A Collateral Obligation that, in the sole judgment of the Collateral Manager, has a market price that is greater than the price that is warranted by its terms and credit characteristics; *provided* that if the rating by Moody’s of (a) any of the Class A Notes has been withdrawn or downgraded by one or more rating subcategories from that in effect on the Closing Date (unless such rating has been reinstated to the rating assigned on the Closing Date) or (b) any other Class of Senior Notes has been withdrawn or downgraded by two or more rating subcategories from that in effect on the Closing Date (unless such rating subsequently has been reinstated or upgraded to at least one rating subcategory below that in effect on the Closing Date), then such Collateral Obligation will be considered a Credit Improved Obligation only if in the reasonable commercial judgment of the Collateral Manager it has improved in credit quality since the time of its acquisition and (i) such Collateral Obligation has been upgraded by Moody’s or S&P by one or more rating subcategories since its purchase or has been placed on and is remaining, as of the date of the proposed sale thereof, on a watchlist for possible upgrade by Moody’s or S&P since its purchase, (ii) the coupon on such Collateral Obligation has been decreased under the terms thereof as a result of restoration of compliance with a covenant or test or the occurrence of an event or circumstance relating to the obligor thereon or (iii) such Collateral Obligation has experienced a decrease in credit spread of 0.50% or more (on an absolute rather than a relative basis) compared to the credit spread at the time such Collateral Obligation was acquired, determined by reference to an appropriate Eligible Index selected by the Collateral Manager.

“Credit Risk Obligation”: A Collateral Obligation that, in the sole judgment of the Collateral Manager (which judgment shall not be questioned as a result of subsequent events), is likely to decline in credit quality; *provided* that if the rating by Moody’s of (a) any of the Class A Notes has been withdrawn or downgraded by one or more rating subcategories from that in effect on the Closing Date (unless such rating has been reinstated to the rating assigned on the Closing Date) or (b) any other Class of Senior Notes has been withdrawn or downgraded by two or more rating subcategories from that in effect on the Closing Date (unless such rating subsequently has been reinstated or upgraded to at least one rating subcategory below that in effect on the Closing Date), then such Collateral Obligation will be considered a Credit Risk Obligation only if in the reasonable commercial judgment of the Collateral Manager it has a significant risk of declining in credit quality and (i) such Collateral Obligation has been downgraded by Moody’s or S&P by one or more rating subcategories since its purchase or has been placed on and is remaining, as of the date of the proposed sale thereof, on a watchlist for possible downgrade by Moody’s or S&P since its purchase, (ii) the coupon on such Collateral Obligation has been increased under the terms thereof as a result of a failure to satisfy a covenant or test or the occurrence of an event or circumstance relating to the obligor thereon or (iii) such Collateral Obligation has experienced an increase in credit spread of 0.50% or more (on an absolute rather than a relative basis) compared to the credit spread at the time such Collateral Obligation was acquired, determined by reference to an appropriate Eligible Index selected by the Collateral Manager.

“Current Pay Obligation”: A Collateral Obligation with respect to which (i) a bankruptcy (as specified in clause (i)(d) of the definition of Defaulted Obligation) has occurred, (ii) no default as to the payment of principal or interest is then continuing, (iii) no interest has been deferred or capitalized under the terms thereof, (iv) if the Moody’s rating (including an estimated or private rating, and subject to adjustment as provided in “Moody’s Rating” (or the definitions referenced therein) for obligations on “watchlist” for upgrade or downgrade) of such obligation is at least “Caa1”, the Market Value of the obligation as determined by the Collateral Manager is at least equal to 80% of the principal balance thereof, (v) if the Moody’s rating (including an estimated or private rating, and subject to adjustment as provided in “Moody’s Rating” for obligations on “watchlist” for upgrade or downgrade) of

such obligation is at least “Caa2”, the Market Value of the obligation is at least equal to 85% of the principal balance thereof (and, for the avoidance of doubt, if such Moody’s rating is less than “Caa2”, the obligation may not be treated as a Current Pay Obligation), *provided* that if the Moody’s rating of the obligation has been withdrawn but the obligation had a Moody’s rating (including an estimated or private rating, and subject to adjustment as provided in “Moody’s Rating” for obligations on “watchlist” for upgrade or downgrade) of at least “Caa2” at the time of default, such obligation may be treated as a Current Pay Obligation if its Market Value is at least equal to 85% of the principal balance thereof), (vi) the Market Value of the obligation is at least equal to 80% of the principal balance thereof (or such lower percentage as S&P confirms in writing will not result in a qualification, downgrade or withdrawal of its then-current rating of any Class of Securities), (vii) a bankruptcy court has authorized the payment of interest due and payable on such obligation and (viii) the Collateral Manager believes, in its reasonable business judgment, that the obligor on such Collateral Obligation will continue to make scheduled payments of interest and principal thereunder; provided that if the Aggregate Principal Balance of the Collateral Obligations that would otherwise be Current Pay Obligations exceeds 5% of the Collateral Principal Amount, all or a portion of one or more Collateral Obligations that would otherwise be Current Pay Obligations with an Aggregate Principal Balance equal to the amount of the excess shall not be Current Pay Obligations (and will therefore be Defaulted Obligations) and the Collateral Manager shall designate in writing to the Trustee such Collateral Obligations that shall not be Current Pay Obligations.

“Custodial Account”: The custodial account established under the Indenture.

“Deep Discount Collateral Obligation”: A Collateral Obligation that (i) in the case of a Loan, is purchased (A) at a purchase price of less than 85.0% of par if its Moody’s Rating is less than “B3” or (B) at a purchase price of less than 80.0% of par if its Moody’s Rating is “B3” or higher; or (ii) in the case of a Bond, is purchased (A) at a purchase price of less than 80% of par if its Moody’s Rating is less than “B3” or (B) at a purchase price of less than 75% of par if its Moody’s Rating is “B3” or higher; *provided* that any Collateral Obligation which is classified as a “Deep Discount Collateral Obligation” upon its acquisition by the Issuer shall cease to be so classified beginning on the first day after such acquisition on which such Collateral Obligation shall have maintained a market value equal to or greater than (i) in the case of Loans, 90.0% of par for a period of 30 consecutive days or (ii) in the case of a Bond, 85% of par for a period of 30 consecutive days. Any Collateral Obligation that would otherwise be considered a Deep Discount Collateral Obligation but that is purchased with the proceeds of sale of a Collateral Obligation that was not a Deep Discount Collateral Obligation at the time of its purchase will not be considered a Deep Discount Collateral Obligation so long as it (a) was purchased or committed to be purchased within five Business Days of such sale, (b) was purchased at a price (as a percentage of par) at least equal to the sale price of the sold Collateral Obligation, (c) was purchased at a purchase price of not less than 65% of the Principal Balance thereof and (d) had a Moody’s Rating equal to or greater than the Moody’s Rating of the sold Collateral Obligation and an S&P Rating equal to or greater than the S&P Rating of the sold Collateral Obligation. The Aggregate Principal Balance of Collateral Obligations excluded from treatment as Deep Discount Collateral Obligations pursuant to the preceding sentence may not exceed on a cumulative basis 10% of the Collateral Principal Amount; provided that if such a Collateral Obligation (i) is repaid in full, (ii) is sold for a price at least equal to 97.5% of its unpaid Principal Balance or (iii) has a Market Value above 90% of its Principal Balance if it is a Loan or 85% of its Principal Balance if it is a Bond for at least 30 consecutive days after being purchased, it shall not be counted toward such 10% limitation.

“Default”: Any event or condition the occurrence or existence of which would, with the giving of notice or lapse of time or both, become an Event of Default.

“Defaulted Obligation”: A Collateral Obligation with respect to which:

(i) in the case of a Loan or Bond, (a) a default as to the payment of scheduled principal and/or scheduled interest has occurred and is continuing with respect to such Loan or Bond without regard to any grace period applicable thereto or waiver thereof (but after a 5 Business Day grace period if the Collateral Manager has certified in writing to the Trustee that it believes such default is not due to credit-related causes); (b) a default has occurred with respect to such Loan or Bond (after the passage of a 3 Business Day grace period) which has resulted in the outstanding principal of such Loan or Bond becoming due and payable under the terms thereof prior to the time it would otherwise have been due and payable; (c) if such Loan or Bond does not constitute a Current Pay Obligation, a default as to the payment of scheduled

principal and/or scheduled interest has occurred and is continuing (without regard to any grace period applicable thereto or waiver thereof) after the passage of a 3 Business Day grace period on another Bond or Loan of the same issuer which is senior or *pari passu* in right of payment to such Bond or Loan (*provided* that both Bonds or Loans are full recourse obligations); (d) if such Loan or Bond does not constitute a Current Pay Obligation, the issuer or others have instituted proceedings to have the issuer adjudicated as bankrupt or insolvent or placed into receivership and, in the case of proceedings instituted by Persons other than the Issuer, after 45 days from the date the proceedings were instituted, such proceedings have not been stayed or dismissed; (e) if such Loan or Bond does not constitute a Current Pay Obligation, (1) S&P has assigned a rating of “D” or “SD” to the issuer thereof or has withdrawn its rating after previously having assigned a rating of “D” or “SD” to the issuer thereof or (2) Moody’s has assigned a rating of “D” or “PD” to the issuer hereof or has withdrawn its rating after previously having assigned a rating of “D” or “PD” to the issuer thereof; or (f) the Collateral Manager has in its reasonable judgment otherwise determined such Loan or Bond to be a Defaulted Obligation;

(ii) in the case of a participation interest in a Loan, (a) an event described in clause (i) above occurs with respect to such Loan, (b) the selling institution for such participation has defaulted in the performance of any of its payment obligations under such participation or (c) the selling institution for such participation is rated “D” or “SD” by S&P;

(iii) in the case of a Structured Finance Obligation, (a) a default as to the payment of scheduled principal and/or scheduled interest has occurred and is continuing with respect to such obligation without regard to any grace period applicable thereto or waiver thereof (but after a 5 Business Day grace period if the Collateral Manager has certified in writing to the Trustee that it believes such default is not due to credit-related causes); (b) such obligation has a Moody’s Rating of “Ca” or “C” or is rated “CC”, “D” or “SD” by S&P or S&P has withdrawn its rating after previously having assigned a rating of “CC”, “D” or “SD”, or (c) there is a reduction in payments made to holders thereof from those required or scheduled to be made thereunder or there is a permanent reduction in the stated principal amount thereof without a corresponding payment being made to the holder thereof; or

(iv) in the case of a Synthetic Security, (a) a credit event occurs under the terms thereof with respect to a Reference Obligation or Reference Entity, (b) an event described in clause (i) occurs with respect to the Reference Obligation, (c) the Synthetic Security Counterparty has defaulted in the performance of any of its payment obligations under such Synthetic Security or (d) such Synthetic Security Counterparty is rated “D” or “SD” by S&P.

“Deferred Interest”: As defined in *“Description of the Notes—Payments—The Senior Notes.”*

“Deferring PIK Obligation”: (i) Any Collateral Obligation (other than a Structured Finance Obligation) that is a PIK Obligation (other than a Partial PIK Obligation) in respect of which interest has been deferred or capitalized (and not subsequently paid) and (ii) any Collateral Obligation that is a Structured Finance Obligation and a PIK Obligation (other than a Partial PIK Obligation) (a) rated “Baa3” or higher by Moody’s, in respect of which interest has been deferred or capitalized for at least two or more interest periods or one year, whichever is less (and not subsequently paid in full) or (b) rated lower than “Baa3” by Moody’s, in respect of which interest has been deferred or capitalized for one or more interest periods or six months, whichever is less (and not subsequently paid in full).

“Determination Date”: With respect to a Payment Date, the 7th Business Day preceding such Payment Date; *provided* that the final Determination Date will be the last day of the final Collection Period.

“DIP Loan”: A Loan that is an obligation of a debtor in possession or a trustee (the “Debtor”) organized under the laws of the United States or any state thereof (a) in respect of which no default as to the payment of post-petition interest is then continuing, and no interest has been deferred or capitalized under the terms thereof and (b) the terms of which have been approved by an order of a U.S. Bankruptcy Court, U.S. District Court or other court of competent jurisdiction, which order provides that (i) such Loan is secured by liens on the Debtor’s otherwise unencumbered assets, (ii) such Loan is secured by liens of equal or senior priority on property of the Debtor’s estate that is otherwise subject to a lien, (iii) such Loan is fully secured by junior liens on the Debtor’s encumbered assets

(based on a current valuation or appraisal report) or (iv) if such Loan or any portion thereof is not secured, the repayment of such Loan retains priority over all other administrative expenses; *provided* that such Loan has a public rating or estimated rating from Moody's and S&P and has an S&P Recovery Rate assigned by S&P; and *provided, further*, that in the case of a DIP Loan described in clause (iv) above, such DIP Loan has a Moody's Recovery Rate assigned by Moody's.

"Diversity Score": The sum of each of the Industry Diversity Scores. The "Industry Diversity Score" is calculated as follows:

- (i) An "Issuer Par Amount" is calculated for each issuer represented in the Collateral Obligations (other than the issuers of Defaulted Obligations) by *summing* the par amounts of all Collateral Obligations in the Collateral owned by the Issuer, issued by that issuer; *provided* that in calculating the Issuer Par Amount for each issuer, affiliated issuers will be considered to be a single issuer to the extent provided in the definition of "Average Par Amount."
- (ii) An "Average Par Amount" is calculated by *summing* the Issuer Par Amounts and *dividing* such amount *by* the sum of the number of issuers of Collateral Obligations (other than the issuers of Defaulted Obligations); *provided* that all affiliated issuers will be considered one issuer except to the extent provided below.
- (iii) An "Equivalent Unit Score" is calculated for each issuer (other than the issuers of Defaulted Obligations) as the lesser of (A) one and (B) the Issuer Par Amount for such issuer *divided by* the Average Par Amount.
- (iv) An "Aggregate Industry Equivalent Unit Score" is then calculated for each of the Moody's industrial classification groups, by *summing* the Equivalent Unit Scores for each issuer (other than the issuers of Defaulted Obligations) in each such Moody's industrial classification group.
- (v) An "Industry Diversity Score" is then established by reference to the Diversity Score Table shown below for the related Aggregate Industry Equivalent Unit Score; *provided* that if any Aggregate Industry Equivalent Unit Score falls between any two such scores then the applicable Industry Diversity Score will be the lower of the two Industry Diversity Scores in the Diversity Score Table.

For the purposes of the calculation of the Diversity Score, all affiliates of each obligor shall be treated as a single obligor together with such obligor, except otherwise with respect to which Rating Confirmation has been received.

In the event Moody's modifies Moody's industrial classification groups, the Collateral Manager may elect to have each Collateral Obligation reallocated among such modified Moody's industrial classification groups for purposes of determining the Industry Diversity Score and the Diversity Score; *provided* that the Collateral Manager shall have provided written notice of such election to Moody's. For purposes of the Diversity Score, a Synthetic Security shall be included as a Collateral Obligation having the characteristics of the related Reference Obligation and not that of the Synthetic Security, and the issuer of such related Reference Obligation shall be deemed to be the related Reference Entity.

Notwithstanding anything to the contrary herein, (i) Synthetic Securities that either (a) have multiple Reference Entities or Reference Obligations or (b) are leveraged shall be excluded from the calculation of the Diversity Score, and (ii) Structured Finance Obligations that are collateralized loan obligation securities shall be excluded from the calculation of the Diversity Score.

“Diversity Score Table”:

Aggregate Equivalent Unit Score	Industry Diversity Score	Aggregate Equivalent Unit Score	Industry Diversity Score	Aggregate Equivalent Unit Score	Industry Diversity Score	Aggregate Equivalent Unit Score	Industry Diversity Score
0.0000	0.0000	5.0500	2.7000	10.1500	4.0200	15.2500	4.5300
0.0500	0.1000	5.1500	2.7333	10.2500	4.0300	15.3500	4.5400
0.1500	0.2000	5.2500	2.7667	10.3500	4.0400	15.4500	4.5500
0.2500	0.3000	5.3500	2.8000	10.4500	4.0500	15.5500	4.5600
0.3500	0.4000	5.4500	2.8333	10.5500	4.0600	15.6500	4.5700
0.4500	0.5000	5.5500	2.8667	10.6500	4.0700	15.7500	4.5800
0.5500	0.6000	5.6500	2.9000	10.7500	4.0800	15.8500	4.5900
0.6500	0.7000	5.7500	2.9333	10.8500	4.0900	15.9500	4.6000
0.7500	0.8000	5.8500	2.9667	10.9500	4.1000	16.0500	4.6100
0.8500	0.9000	5.9500	3.0000	11.0500	4.1100	16.1500	4.6200
0.9500	1.0000	6.0500	3.0250	11.1500	4.1200	16.2500	4.6300
1.0500	1.0500	6.1500	3.0500	11.2500	4.1300	16.3500	4.6400
1.1500	1.1000	6.2500	3.0750	11.3500	4.1400	16.4500	4.6500
1.2500	1.1500	6.3500	3.1000	11.4500	4.1500	16.5500	4.6600
1.3500	1.2000	6.4500	3.1250	11.5500	4.1600	16.6500	4.6700
1.4500	1.2500	6.5500	3.1500	11.6500	4.1700	16.7500	4.6800
1.5500	1.3000	6.6500	3.1750	11.7500	4.1800	16.8500	4.6900
1.6500	1.3500	6.7500	3.2000	11.8500	4.1900	16.9500	4.7000
1.7500	1.4000	6.8500	3.2250	11.9500	4.2000	17.0500	4.7100
1.8500	1.4500	6.9500	3.2500	12.0500	4.2100	17.1500	4.7200
1.9500	1.5000	7.0500	3.2750	12.1500	4.2200	17.2500	4.7300
2.0500	1.5500	7.1500	3.3000	12.2500	4.2300	17.3500	4.7400
2.1500	1.6000	7.2500	3.3250	12.3500	4.2400	17.4500	4.7500
2.2500	1.6500	7.3500	3.3500	12.4500	4.2500	17.5500	4.7600
2.3500	1.7000	7.4500	3.3750	12.5500	4.2600	17.6500	4.7700
2.4500	1.7500	7.5500	3.4000	12.6500	4.2700	17.7500	4.7800
2.5500	1.8000	7.6500	3.4250	12.7500	4.2800	17.8500	4.7900
2.6500	1.8500	7.7500	3.4500	12.8500	4.2900	17.9500	4.8000
2.7500	1.9000	7.8500	3.4750	12.9500	4.3000	18.0500	4.8100
2.8500	1.9500	7.9500	3.5000	13.0500	4.3100	18.1500	4.8200
2.9500	2.0000	8.0500	3.5250	13.1500	4.3200	18.2500	4.8300
3.0500	2.0333	8.1500	3.5500	13.2500	4.3300	18.3500	4.8400
3.1500	2.0667	8.2500	3.5750	13.3500	4.3400	18.4500	4.8500
3.2500	2.1000	8.3500	3.6000	13.4500	4.3500	18.5500	4.8600
3.3500	2.1333	8.4500	3.6250	13.5500	4.3600	18.6500	4.8700
3.4500	2.1667	8.5500	3.6500	13.6500	4.3700	18.7500	4.8800
3.5500	2.2000	8.6500	3.6750	13.7500	4.3800	18.8500	4.8900
3.6500	2.2333	8.7500	3.7000	13.8500	4.3900	18.9500	4.9000
3.7500	2.2667	8.8500	3.7250	13.9500	4.4000	19.0500	4.9100
3.8500	2.3000	8.9500	3.7500	14.0500	4.4100	19.1500	4.9200
3.9500	2.3333	9.0500	3.7750	14.1500	4.4200	19.2500	4.9300
4.0500	2.3667	9.1500	3.8000	14.2500	4.4300	19.3500	4.9400
4.1500	2.4000	9.2500	3.8250	14.3500	4.4400	19.4500	4.9500
4.2500	2.4333	9.3500	3.8500	14.4500	4.4500	19.5500	4.9600
4.3500	2.4667	9.4500	3.8750	14.5500	4.4600	19.6500	4.9700
4.4500	2.5000	9.5500	3.9000	14.6500	4.4700	19.7500	4.9800
4.5500	2.5333	9.6500	3.9250	14.7500	4.4800	19.8500	4.9900
4.6500	2.5667	9.7500	3.9500	14.8500	4.4900	19.9500	5.0000
4.7500	2.6000	9.8500	3.9750	14.9500	4.5000		
4.8500	2.6333	9.9500	4.0000	15.0500	4.5100		
4.9500	2.6667	10.0500	4.0100	15.1500	4.5200		

“Domicile”: With respect to each Collateral Obligation, (i) the jurisdiction of incorporation, organization or creation of the related Obligor or (ii) in the case of a Collateral Obligation that would otherwise be considered to be domiciled pursuant to clause (i) in a Tax Advantaged Jurisdiction, the jurisdiction in which, in the reasonable business judgment of the Collateral Manager, the related Obligor directly or indirectly conducts a substantial portion of its business operations and in which the assets primarily responsible for generating its revenues are located.

“DTC”: The Depository Trust Company or its successor.

“Eligible Country”: The United States, Canada and any country classified by Moody’s as a Moody’s Group I Country, Moody’s Group II Country, Moody’s Group III Country or Moody’s Group IV Country; provided that such country has not imposed currency exchange controls and has a long-term foreign issuer credit rating of at least “AA” by S&P and a sovereign rating of at least “Aa2” by Moody’s.

“Eligible Index”: (i) With respect to Loans, either of the following indices as selected by the Collateral Manager: the Credit Suisse Leveraged Loan Index or the S&P/LSTA Leveraged Loan Index (or any successor to either such index); and (ii) with respect to Bonds, any one of the following indices as selected by the Collateral Manager: the Credit Suisse High Yield Index, Merrill Lynch High Yield Master II Index or Citigroup High-Yield Cash Pay Index (or any successor to any such index); provided that in either case the Collateral Manager may select an alternative index as an Eligible Index subject to Rating Confirmation from Moody’s.

“Eligible Investments”: Any U.S. dollar-denominated investment with a remaining maturity of less than 365 days that, at the time it is delivered to the Trustee, is one or more of the following obligations or securities including, without limitation, investments for which the Trustee or an Affiliate of the Trustee provides services or receives compensation:

- (i) cash;
- (ii) direct registered obligations of, and registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States, which in each case are not zero coupon securities;
- (iii) demand and time deposits in, trust accounts, certificates of deposit payable within 91 days of issuance of, bankers’ acceptances payable within 91 days of issuance issued by, or Federal funds sold by any depository institution or trust company incorporated under the laws of the United States or any state thereof and subject to supervision and examination by Federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company), at the time of such investment or contractual commitment providing for such investment and throughout the term of the investment, have a credit rating of not less than “Aaa” by Moody’s and “AAA” by Standard & Poor’s and in each case are not on watch for downgrade, or “P-1” by Moody’s and “A-1+” by Standard & Poor’s in the case of commercial paper and short-term debt obligations; *provided* that in any case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than “AA-” by Standard & Poor’s and “Aa3” by Moody’s and a short-term rating of “A-1+” by Standard & Poor’s and “P-1” by Moody’s, and if so rated, is not on watch for downgrade;
- (iv) commercial paper or other short-term obligations with a maturity of not more than 91 days from the date of issuance and having at the time of such investment a credit rating of at least “P-1” by Moody’s and “A-1+” by Standard & Poor’s; *provided* that in any case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than “Aa2” by Moody’s, and if so rated, such rating is not on watch for downgrade;
- (v) unleveraged repurchase obligations with respect to any security described in clause (ii) above entered into with a U.S. federal or state depository institution or trust company (acting as principal) described in clause (iii) above or entered into with a corporation (acting as principal)

whose long-term credit rating is not less than “Aaa” by Moody’s and “AAA” by Standard & Poor’s and in each case are not on watch for downgrade or whose short-term credit rating is “P-1” by Moody’s and “A-1+” by Standard & Poor’s at the time of such investment and throughout the term of the investment; *provided* that if such repurchase obligation has a maturity of longer than 91 days, the counterparty thereto must also have at the time of such investment and throughout the term of the investment a long-term credit rating of not less than “Aa2” by Moody’s and “AAA” by Standard & Poor’s, and if so rated, such rating is not on watch for downgrade;

- (vi) any offshore money market fund or similar investment vehicle having at the time of investment therein and throughout the term of the investment a credit rating of “MR1+” by Moody’s (and not on watch for downgrade) and “AAAm” or “AAAm-G” by Standard & Poor’s; including any fund for which the Trustee or an Affiliate of the Trustee serves as an investment advisor, administrator, shareholder servicing agent, custodian or subcustodian, notwithstanding that (A) the Trustee or an Affiliate of the Trustee charges and collects fees and expenses from such funds for services rendered (*provided* that such charges, fees and expenses are on terms consistent with terms negotiated at arm’s length) and (B) the Trustee charges and collects fees and expenses for services rendered, pursuant to the Indenture; and
- (vii) such other investments for which Rating Confirmation has been received;

provided that Eligible Investments shall be required to mature on or before the Business Day prior to the next Payment Date; *provided, further*, that each Eligible Investment must bear a stated rate of interest or yield and any floating rate of interest must reset on or prior to the next Payment Date of the Notes; *provided, further*, that each Eligible Investment provides, at the time of purchase, solely for payments that will not be subject to withholding tax at any time through its maturity unless the issuer or obligor (and the guarantor, if any) of the security or obligation is required to make “gross-up” payments that cover the full amount of any such withholding tax (or return the invested amount at par); *provided, further*, that ownership of such Eligible Investments will not subject the Issuer to net income tax in any jurisdiction where it would not otherwise be subject to tax; *provided, further*, that Eligible Investments may not include (a) any interest-only security, any mortgage-backed security, any security purchased at a price in excess of 100% of the par value thereof, any security the repayment of which is subject to substantial non-credit related risk as determined in the business judgment of the Collateral Manager or any security that has a rating assigned by S&P that contains an “r”, “t”, “p”, “pi” or “q” subscript, (b) any floating rate security the interest rate with respect to which is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index plus a spread or (c) any security subject to a tender offer, voluntary redemption, exchange offer, conversion or other similar action.

“EOD Ratio”: The Overcollateralization Ratio for the Class A Notes; provided that for this purpose clause (vi) of the definition of Principal Balance will not apply.

“Equity Security”: Any security that by its terms does not provide for periodic payments of interest at a stated coupon rate and repayment of principal in one or more installments.

“ERISA”: The U.S. Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto.

“ERISA Plans”: “Employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans.

“Euroclear”: Euroclear Bank S.A/N.V., as operator of the Euroclear System, or any successor thereto.

“Event of Default”: An event of default as defined in the Indenture and as described under “*Description of the Notes—The Indenture and the Collateral Administration Agreement—Events of Default.*”

“Excess”: The amount by which the principal balance of a specified Collateral Obligation (or a specified class of Collateral Obligations) exceeds a stated amount (which amount is expressed as a percentage of the Collateral Principal Amount).

“Exchange Act”: The U.S. Securities Exchange Act of 1934, as amended.

“Exchange Date”: The first Business Day following the 40th day after the later of the Closing Date and the commencement of the offering of the Securities.

“Excluded Property”: Collectively, U.S. \$1,000 the Issuer received in connection with the issuance of the Ordinary Shares of the Issuer and U.S. \$1,000 the Issuer received as a fee for issuing the Securities, and the income thereon and the bank account in which such monies are held.

“Expense Cap Amount”: With respect to any Payment Date, an amount not to exceed, with respect to all Administrative Expenses in the aggregate, 0.028 % per annum of the Collateral Principal Amount plus U.S. \$200,000 per annum (*pro rated* for the related Periodic Interest Accrual Period), minus the amount of Administrative Expenses paid during the Periodic Interest Accrual Period immediately preceding such Payment Date.

“Expense Reserve Account”: The expense reserve account established under the Indenture.

“Federal Reserve Board”: The Board of Governors of the United States Federal Reserve System.

“First Lien Loan”: A Secured Loan secured by a first priority security interest in the relevant collateral.

“Florida Act”: The Florida Securities Act.

“Form-Approved Synthetic Security”: A Synthetic Security (a) the documentation of which conforms (but for the amount and timing of periodic payments, the name of the Reference Obligation or Reference Obligations, the notional amount, the premium or coupon, the effective date, the termination date and other similarly necessary changes) to a form which has been approved by Moody’s and S&P in writing and (b) which the Issuer has certified to the Trustee in writing is a Form-Approved Synthetic Security; *provided* that either of the Rating Agencies may withdraw its approval of any such Form-Approved Synthetic Security at any time, effective (except in respect of trades executed and not terminated) upon receipt of notice by the Issuer (who will provide notice to the Trustee); *provided, further*, that any Form-Approved Synthetic Securities entered into prior to either of the Rating Agencies withdrawing its approval of the documentation relating to such Form-Approved Synthetic Securities shall be unaffected and, *provided, further*, that there shall be separate and distinct forms of a Form-Approved Synthetic Security for each of a Synthetic Security with a single Reference Obligation and a Synthetic Security with multiple Reference Obligations.

“Global Notes”: The Regulation S Global Notes and the Rule 144A Global Notes.

“Grid Test”: A test that will be satisfied as of any date of determination if the Collateral Obligations in the aggregate have a Weighted Average Rating no greater than and a Diversity Score at least equal to the respective levels set forth in any applicable row and column combination of the grid specified below and a Weighted Average LIBOR Spread at least equal to the Minimum Adjusted Spread (as determined below) for that applicable row and column combination. As of the Ramp-Up End Date, the Collateral Manager will elect which row/column combination of the grid below will apply. Thereafter, on one Business Day’s notice to the Issuer and the Trustee, the Collateral Manager may elect a different row/column combination of the applicable grid to apply, provided that after giving effect to such new election, the Collateral Obligations in the aggregate will satisfy the maximum Weighted Average Rating, minimum Weighted Average LIBOR Spread and minimum Diversity Score for such row/column combination. Notwithstanding the foregoing, the Collateral Manager may determine a combination of values that is not set forth in the grid below using linear interpolation between values set forth in adjacent row/column combinations in the grid below. Upon determining any such combination, the Collateral Manager shall identify such combination to the Issuer and Trustee, whereupon such combination shall be deemed a row/column combination for purposes of the Grid Test.

	Weighted Average Rating Factor														
Diversity Score /WAS	2020	2060	2100	2140	2180	2220	2260	2300	2340	2380	2420	2460	2500	2540	2580
45	2.05 %	2.14%	2.19%	2.29%	2.39%	2.48%	2.58%	2.73%	2.83%	2.93%	3.02%	3.10%	3.20%	3.30%	3.40%
50	2.00 %	2.09%	2.13%	2.23%	2.32%	2.41%	2.51%	2.60%	2.68%	2.79%	2.88%	2.97%	3.06%	3.21%	3.30%
55	1.95 %	2.00%	2.09%	2.20%	2.25%	2.30%	2.35%	2.40%	2.45%	2.60%	2.73%	2.82%	2.92%	3.02%	3.12%
60	1.91 %	1.96%	2.05%	2.14%	2.19%	2.23%	2.29%	2.33%	2.40%	2.51%	2.64%	2.72%	2.82%	2.92%	3.02%
65	1.90 %	1.95%	2.00%	2.09%	2.14%	2.18%	2.24%	2.28%	2.34%	2.45%	2.58%	2.66%	2.76%	2.86%	2.96%
70	1.87 %	1.92%	1.96%	2.05%	2.09%	2.13%	2.19%	2.23%	2.29%	2.40%	2.53%	2.61%	2.71%	2.81%	2.91%

For purposes of this definition:

“Minimum Adjusted Spread”: A spread equal to (i) the spread set forth in the grid above for the applicable row-column combination minus (ii) the Spread Modifier; *provided* that in no event will the Minimum Adjusted Spread be less than 1.20%.

“Spread Modifier”: (a) if the Moody’s Weighted Average Recovery Rate is less than 44.25%, zero;

(b) if the Moody’s Weighted Average Recovery Rate is greater than 44.25% but less than or equal to 60.00%, the product of (i) the Moody’s Weighted Average Recovery Rate in excess of 44.25% and (ii) 5.50%; and

(c) if the Moody’s Weighted Average Recovery Rate is greater than 60.00%, the Moody’s Spread Modifier will be 0.87% or, in each case subject to Rating Confirmation from Moody’s:

(x) the percentage calculated based on an alternative methodology, or

(y) the sum of (i) 0.87% and (ii) the product of (A) the excess of the Moody’s Weighted Average Recovery Rate over 60.00% and (B) 5.50%.

“Gross Excess Coupon”: As of any date of determination, an amount equal to the product of (a) the excess, if any, of the Weighted Average Fixed Rate Coupon for such date (determined without giving effect to clause (iv) of the definition thereof) over the applicable minimum Weighted Average Fixed Rate Coupon specified in clause (iv) of the Collateral Quality Test and (b) the Aggregate Principal Balance of all Collateral Obligations that bear interest at a fixed rate.

“Gross Excess Spread”: As of any date of determination, an amount equal to the product of (a) the excess, if any, of the Weighted Average LIBOR Spread (determined without giving effect to clause (iv) of the definition thereof) for such date over the applicable minimum Weighted Average LIBOR Spread under the Grid Test and (b) the Aggregate Principal Balance of all Collateral Obligations that bear interest at a floating rate.

“Holder”: With respect to any Note, the Person in whose name such Note is registered in the Register. “Noteholder” and “Securityholder” have corresponding meanings.

“Incentive Management Fee IRR Threshold”: Will be satisfied on any Payment Date if the Income Notes have received an annualized internal rate of return (computed as specified in the Indenture) of at least 12% on the Income Notes Outstanding as of the first day of the Collection Period preceding such Payment Date (after giving effect to all payments made on such Payment Date).

“Income Notes”: As defined in “*Summary of Terms—The Income Notes.*”

“Indenture”: The indenture, dated as of the Closing Date, between the Issuer, the Co-Issuer and Wells Fargo Bank, National Association, as Trustee.

“Indenture Calculation Agent”: The Trustee (or any successor Indenture Calculation Agent).

“Initial Collateral Obligations”: The Collateral Obligations included in the Collateral as of the Closing Date.

“Initial Purchaser”: With respect to the Senior Notes, Citigroup Global Markets Inc. The term “initial purchaser” (lower case) refers to the initial purchasers of the Notes from the Initial Purchaser or through the Placement Agent, as applicable.

“Interest Amounts”: The Class A-1 Interest Amount, the Class A-2 Interest Amount, the Class B Interest Amount, the Class C Interest Amount and the Class D Interest Amount, as the context may require.

“Interest Coverage Ratio”: For any designated Class or Classes of Senior Notes as of any Measurement Date, the percentage derived from dividing:

- (a) the Collateral Interest Amount as of such date of determination; by
- (b) the sum of (i) amounts payable (or expected as of the date of determination to be payable) on the following Payment Date as set forth in subclauses (1) and (2) under the Interest Priority of Payments plus (ii) interest due and payable on the Notes of such Class and each Class of Notes that rank senior to or *pari passu* with such Class (excluding any Deferred Interest on any such Classes) on such following Payment Date.

“Interest Coverage Test”: For any specified Class or Classes of Senior Notes, a test that will be satisfied as of any Measurement Date after the Determination Date relating to the first Payment Date following the Ramp-Up Period if the Interest Coverage Ratio for such Class or Classes is at least equal to the applicable Required Interest Coverage Ratio for such Class or Classes set forth in “*Security for the Notes—The Coverage Tests*”.

“Interest Priority of Payments”: As defined in “*Description of the Notes—Priority of Payments—Interest Priority of Payments.*”

“Interest Proceeds”: With respect to any Collection Period or Determination Date, without duplication, the sum of: (i) all payments of interest, dividends and other income received by the Issuer during the related Collection Period on (x) the Collateral Obligations or Equity Securities and (y) Eligible Investments, in the case of either (x) or

(y) (A) including any accrued interest (other than such described in clause (B) below) received in connection with a sale of any Collateral Obligation or Eligible Investment during the related Collection Period and (B) excluding any interest received by the Issuer during the related Collection Period that represents Principal Financed Accrued Interest; (ii) all principal and interest payments on Eligible Investments purchased with Interest Proceeds; (iii) all amendment and waiver fees, late payment fees and other similar fees; (iv) any amounts, other than Principal Proceeds, deposited in the Interest Collection Subaccount during such Collection Period from the Revolving Reserve Account, or, at the discretion of the Collateral Manager, the Expense Reserve Account; and (v) scheduled commitment fees received on Unfunded Commitments and other similar fees actually received by the Issuer during such Collection Period in respect of Revolving Loans; provided that (a) interest accrued on Collateral Obligations or Eligible Investments (I) prior to the Closing Date or (II) prior to the date of acquisition thereof in the case of Collateral Obligations or Eligible Investments purchased on or after the Closing Date with Principal Proceeds shall not constitute Interest Proceeds and (b) interest, dividends, fees or other income received in respect of any Defaulted Obligation (other than a Current Pay Obligation) shall not constitute Interest Proceeds until the aggregate of all collections in respect of such Defaulted Obligation since it became a Defaulted Obligation equals the outstanding principal balance of such Defaulted Obligation when it became a Defaulted Obligation.

“Interest Rate”: The Class A-1 Interest Rate, the Class A-2 Interest Rate, the Class B Interest Rate, the Class C Interest Rate and the Class D Interest Rate, as the context requires.

“Investment Company Act”: The U.S. Investment Company Act of 1940, as amended.

“Investment Criteria”: As defined in “*Security for the Notes—Sales and Purchases of Collateral Obligations.*”

“IRS”: The Internal Revenue Service.

“Issuer”: Clear Lake CLO, Ltd., a recently formed exempted company incorporated with limited liability under the laws of the Cayman Islands, and its permitted successors and assigns.

“Knowledgeable Employee”: A “knowledgeable employee” as defined in Rule 3c-5 under the Investment Company Act.

“LIBOR”: The London interbank offered rate, as determined (unless the context otherwise requires) pursuant to “*Description of the Notes—Payments.*”

“LIBOR Determination Date”: The second London Business Day prior to the commencement of a Periodic Interest Accrual Period.

“Loan”: A loan obligation (or, in the reasonable business judgment of the Collateral Manager, other similar instrument) of any corporation, company, partnership or trust in respect of which the lender (or the agent for the lender) is a bank, financial institution or other institution lending in the ordinary course of its business.

“Loan Credit Default Swap”: Any credit default swap transaction referencing a Loan that is documented under a “loan only” credit default swap confirmation substantially in a form published by the International Swaps and Derivatives Association, Inc.

“London Business Day”: Any Business Day on which commercial banks are open for dealings in deposits in U.S. Dollars in the London interbank market.

“Majority”: With respect to any Class or Classes of Securities, the Holders of more than 50% of the Aggregate Principal Amount of the Securities of such Class or Classes.

“Margin Loan”: An extension of credit that is “purpose credit” within the meaning of Regulation U issued by the Federal Reserve Board.

“Margin Stock”: “Margin Stock” as defined under Regulation U issued by the Federal Reserve Board.

“Market Value”: With respect to a Collateral Obligation on any date of determination, the price thereof (expressed as a percentage) based on the mid point quotation for such Collateral Obligation obtained from a Pricing Source as of such date or, if no such quotation is available on such date, the mean of the bid quotations for such Collateral Obligation obtained on such date from three dealers (which shall not be Affiliates of each other) in the relevant market selected by the Collateral Manager for an amount of such Collateral Obligation as close as practicable to its Principal Balance (or, if only two such quotations are obtained, the lower of such quotations, or if only one such quotation is obtained, such quotation). If the Collateral Manager is unable to determine the Market Value with respect to a Collateral Obligation pursuant to the preceding sentence, the Market Value of such Collateral Obligation shall be deemed to be zero; *provided* that with respect to such Collateral Obligations with an Aggregate Principal Balance not exceeding 5% of the Collateral Principal Amount, the Market Value will be the lesser of (A) the Collateral Manager’s estimate of the market value (and not the recovery rate) of such Collateral Obligation as of such date, determined by the Collateral Manager consistent with commercially reasonable and customary market practice or (B) 1.25 times the S&P Recovery Rate of such Collateral Obligation as of such date; *provided, further*, that, if the Collateral Manager cannot obtain a bid from a nationally recognized dealer that is independent from the Collateral Manager or a Pricing Source within 30 Business Days after such good faith determination of the Market Value, the Market Value for such Collateral Obligation shall be deemed to be zero.

“Maturity Date”: December 20, 2020 or, if such date is not a Business Day, the first Business Day thereafter.

“Measurement Date”: Any of (i) the date of any purchase or sale of a Collateral Obligation under the Indenture, (ii) each Determination Date, (iii) each Monthly Report Determination Date (as defined in the Indenture) and (iv) with reasonable prior written notice to the Co-Issuers, the Collateral Manager and the Trustee, any Business Day that a Rating Agency requests to be a “Measurement Date”; *provided* that if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the immediately following Business Day.

“Moody’s”: Moody’s Investors Service, Inc. or any successor thereto.

“Moody’s Adjusted Rating Factor”: With respect to a Structured Finance Obligation, an amount equal to (i) the Expected Loss for such Structured Finance Obligation based on its Moody’s Rating divided by (ii) 100% minus the Moody’s Recovery Rate for such Structured Finance Obligation, where “Expected Loss” is determined as follows:

Rating	Expected Loss
Aaa	0.55
Aa1	5.50
Aa2	11.00
Aa3	22.00
A1	38.50
A2	66.00
A3	99.00
Baa1	143.00
Baa2	198.00
Baa3	335.50
Ba1	517.00
Ba2	742.50
Ba3	971.30
B1	1,221.00
B2	1,496.00
B3	1,919.50
Caa1	2,623.50
Caa2	3,575.00
Caa3	4,438.50

“Moody’s Assigned Rating”: The monitored publicly available rating or the monitored estimated rating expressly assigned to the relevant debt obligation (or facility) by Moody’s that addresses the full amount of the principal and interest promised.

“Moody’s Collateral Value”: With respect to any Defaulted Obligation or Deferring PIK Obligation and any date of determination, (A) with respect to the first 30 days after such Collateral Obligation becomes a Defaulted Obligation or a Deferring PIK Obligation, the lesser of (i) the Moody’s Recovery Amount of such Defaulted Obligation or Deferring PIK Obligation and (ii) the fair market value of such Defaulted Obligation or Deferring PIK Obligation as determined by the Collateral Manager, and (B) thereafter, the lesser of (i) the Moody’s Recovery Amount of such Defaulted Obligation or Deferring PIK Obligation and (ii) the Market Value of such Defaulted Obligation or Deferring PIK Obligation, in each case as of such date of determination.

“Moody’s Default Probability Rating”: With respect to any Collateral Obligation, as of any date of determination, the rating determined in accordance with the following, in the following order of priority:

- (a) with respect to a Moody’s Senior Secured Loan:
 - (i) if the Loan’s Obligor has a Corporate Family Rating (as defined by Moody’s) from Moody’s, such Corporate Family Rating; or
 - (ii) if the preceding clause does not apply, the Moody’s Obligation Rating of such Loan;
- (b) with respect to a Moody’s Non Senior Secured Loan or a Bond, (i) if the Obligor has a senior unsecured obligation with a Moody’s Assigned Rating, such rating; or (ii) if the preceding clause does not apply, the Moody’s Equivalent Senior Unsecured Rating;
- (c) with respect to a Synthetic Security, the Moody’s Obligation Rating thereof;
- (d) with respect to a Collateral Obligation that is a DIP Loan, one rating subcategory below the Moody’s Assigned Rating thereof; and
- (e) with respect to a Structured Finance Obligation, the Moody’s Assigned Rating thereof;

provided that in the case of a Form-Approved Synthetic Security, the Moody’s Default Probability Rating shall be determined based on the applicable Collateral Obligation.

Notwithstanding the foregoing, if the Moody’s rating or ratings used to determine the Moody’s Default Probability Rating are on watch for downgrade or upgrade by Moody’s, such rating or ratings will be adjusted down one subcategory (if on watch for downgrade) or up one subcategory (if on watch for upgrade) (or in either case by two subcategories in the case of a Structured Finance Obligation).

“Moody’s Equivalent Senior Unsecured Rating”: With respect to any Collateral Obligation that is a Loan or a Bond and the Obligor thereof, as of any date of determination, the rating determined in accordance with the following, in the following order of priority:

- (a) if the Obligor has a senior unsecured obligation with a Moody’s Assigned Rating, such Moody’s Assigned Rating;
- (b) if the preceding clause does not apply, the Moody’s “Issuer Rating” for the Obligor;
- (c) if the preceding clauses do not apply, but the Obligor has a subordinated obligation with a Moody’s Assigned Rating, then
 - (i) if such Moody’s Assigned Rating is at least “B3” (and, if rated “B3,” not on watch for downgrade), the Moody’s Equivalent Senior Unsecured Rating shall be the rating which is one rating subcategory higher than such Moody’s Assigned Rating, or
 - (ii) if such Moody’s Assigned Rating is less than “B3” (or rated “B3” and on watch for downgrade), the Moody’s Equivalent Senior Unsecured Rating shall be such Moody’s Assigned Rating;

(d) if the preceding clauses do not apply, but the Obligor has a senior secured obligation with a Moody's Assigned Rating, then:

- (i) if such Moody's Assigned Rating is at least "Caa3" (and, if rated "Caa3," not on watch for downgrade), the Moody's Equivalent Senior Unsecured Rating shall be the rating which is one subcategory below such Moody's Assigned Rating, or
- (ii) if such Moody's Assigned Rating is less than "Caa3" (or rated "Caa3" and on watch for downgrade), then the Moody's Equivalent Senior Unsecured Rating shall be "C";

(e) if the preceding clauses do not apply, but such Obligor has a Corporate Family Rating (as defined by Moody's) from Moody's, the Moody's Equivalent Senior Unsecured Rating shall be one rating subcategory below such Corporate Family Rating;

(f) if the preceding clauses do not apply, but the Obligor has a senior unsecured obligation (other than a bank loan) with a public rating from S&P (without any postscripts, asterisks or other qualifying notations, that addresses the full amount of principal and interest promised), then the Moody's Equivalent Senior Unsecured Rating shall be:

- (i) one rating subcategory below the Moody's equivalent of such S&P rating if it is "BBB-" or higher, or
- (ii) two rating subcategories below the Moody's equivalent of such S&P rating if it is "BB+" or lower;

(g) if the preceding clauses do not apply, but the Obligor has a subordinated obligation (other than a bank loan) with a public rating from S&P (without any postscripts, asterisks or other qualifying notations, that addresses the full amount of principal and interest promised), the Moody's Assigned Rating shall be deemed to be:

- (i) one rating subcategory below the Moody's equivalent of such S&P rating if it is "BBB-" or higher; or
- (ii) two rating subcategories below the Moody's equivalent of such S&P rating if it is "BB+" or lower,

and the Moody's Equivalent Senior Unsecured Rating shall be determined pursuant to clause (c) above;

(h) if the preceding clauses do not apply, but the Obligor has a senior secured obligation with a public rating from S&P (without any postscripts, asterisks or other qualifying notations, that addresses the full amount of principal and interest promised), the Moody's Assigned Rating shall be deemed to be:

- (i) one rating subcategory below the Moody's equivalent of such S&P rating if it is "BBB-" or higher; or
- (ii) two rating subcategories below the Moody's equivalent of such S&P rating if it is "BB+" or lower,

and the Moody's Equivalent Senior Unsecured Rating shall be determined pursuant to clause (d) above;

(i) if the preceding clauses do not apply and each of the following clauses (i) through (viii) do apply, the Moody's Equivalent Senior Unsecured Rating will be "Caa1":

- (i) neither the Obligor nor any of its affiliates is subject to reorganization or bankruptcy proceedings,
- (ii) no debt securities or obligations of the Obligor are in default,
- (iii) neither the Obligor nor any of its affiliates has defaulted on any debt during the preceding two years,
- (iv) the Obligor has been in existence for the preceding five years,
- (v) the Obligor is current on any cumulative dividends,

- (vi) the fixed-charge ratio for the Obligor exceeds 125% for each of the preceding two fiscal years and for the most recent quarter,
- (vii) the Obligor had a net profit before tax in the past fiscal year and the most recent quarter, and
- (viii) the annual financial statements of such Obligor are unqualified and certified by a firm of Independent accountants of international reputation, and quarterly statements are unaudited but signed by a corporate officer;
- (j) if the preceding clauses do not apply but each of the following clauses (i) and (ii) do apply, the Moody's Equivalent Senior Unsecured Rating will be "Caa3":
 - (i) neither the Obligor nor any of its affiliates is subject to reorganization or bankruptcy proceedings; and
 - (ii) no debt security or obligation of such Obligor has been in default during the preceding two years; and
- (k) if the preceding clauses do not apply and a debt security or obligation of the Obligor has been in default during the preceding two years, the Moody's Equivalent Senior Unsecured Rating will be "Ca."

Notwithstanding the foregoing, no more than 10% of the Aggregate Principal Balance of the Collateral Obligations may be given a Moody's Equivalent Senior Unsecured Rating based on a rating given by S&P as provided in clauses (f), (g) and (h) above.

"Moody's Group I Country": Any of the following countries: Australia, the Netherlands, the United Kingdom and any country subsequently determined by Moody's to be a Moody's Group I Country (*provided* that the Trustee is notified in writing of such determination); *provided* that a Collateral Obligation issued by an Obligor which has its headquarters in a Tax Advantaged Jurisdiction will only be treated as issued by an entity in a Moody's Group I Country if in the reasonable business judgment of the Collateral Manager, the revenues of such entity are originated primarily in any Moody's Group I Country (other than such Tax Advantaged Jurisdiction) or the United States or Canada.

"Moody's Group II Country": Any of the following countries: Germany, Ireland, Sweden, Switzerland and any country subsequently determined by Moody's to be a Moody's Group II Country (*provided* that the Trustee is notified in writing of such determination).

"Moody's Group III Country": Any of the following countries: Austria, Belgium, Denmark, Finland, France, Iceland, Liechtenstein, Luxembourg, Norway, Spain and any country subsequently determined by Moody's to be a Moody's Group III Country (*provided* that the Trustee is notified in writing of such determination).

"Moody's Group IV Country": Any of the following countries: Greece, Italy, Portugal, Japan and any country subsequently determined by Moody's to be a Moody's Group IV Country (*provided* that the Trustee is notified in writing of such determination).

"Moody's Industry Classification Group": Any of the Moody's industrial classification groups, any additional classification groups established by Moody's with respect to the Initial Collateral Obligations, and any other classification groups that may be subsequently established by Moody's with respect to new Collateral Obligations that are added to the Collateral and provided, in each case, by the Collateral Manager or Moody's to the Trustee. Notwithstanding anything to the contrary herein, Structured Finance Obligations will not be deemed to be in any Moody's Industry Classification Group.

"Moody's Non Senior Secured Loan": Any Loan that is not (i) a Moody's Senior Secured Loan nor (ii) a loan described in subclauses (a)-(c) of clause (iii) of the definition of Moody's Senior Secured Loan.

"Moody's Obligation Rating": With respect to any Collateral Obligation or Collateral Obligation as of any date of determination, the rating determined in accordance with the following, in the following order of priority:

- (a) With respect to a Moody's Senior Secured Loan:
 - (i) if it has a Moody's Assigned Rating, such Moody's Assigned Rating; or

- (ii) if the preceding clause does not apply, the rating that is one rating subcategory above the Moody's Equivalent Senior Unsecured Rating;
- (b) With respect to a Moody's Non Senior Secured Loan or a Bond:
 - (i) if it has a Moody's Assigned Rating, such Moody's Assigned Rating; or
 - (ii) if the preceding clause does not apply, the Moody's Equivalent Senior Unsecured Rating;
- (c) With respect to a Synthetic Security, the Moody's Assigned Rating thereof;
- (d) With respect to a DIP Loan, the Moody's Assigned Rating thereof; and
- (e) With respect to a Structured Finance Obligation, the Moody's Assigned Rating thereof;

Notwithstanding the foregoing, if the Moody's rating or ratings used to determine the Moody's Obligation Rating or Ratings are on watch for downgrade or upgrade by Moody's, such rating or ratings will be adjusted down one subcategory (if on watch for downgrade) or up one subcategory (if on watch for upgrade).

"Moody's Rating": The Moody's Default Probability Rating; *provided* that, with respect to the Collateral Obligations generally, if at any time Moody's or any successor to it ceases to provide rating services, references to rating categories of Moody's in the Indenture will be deemed instead to be references to the equivalent categories of any other nationally recognized investment rating agency selected by the Collateral Manager (with written notice to the Issuer and the Trustee), as of the most recent date on which such other rating agency and Moody's published ratings for the type of security in respect of which such alternative rating agency is used.

"Moody's Rating Factor": With respect to any Collateral Obligation, the number set forth in the table below opposite the Moody's Rating of such Collateral Obligation:

Moody's Rating	Rating Factor
Aaa	1
Aa1	10
Aa2	20
Aa3	40
A1	70
A2	120
A3	180
Baa1	260
Baa2	360
Baa3	610
Ba1	940
Ba2	1,350
Ba3	1,766
B1	2,220
B2	2,720
B3	3,490
Caa1	4,770
Caa2	6,500
Caa3	8,070
Ca or below	10,000

For purposes of determining the Weighted Average Rating, (i) any Collateral Obligation issued or guaranteed by the United States government or any agency or instrumentality thereof is assigned a Moody's Rating Factor of 1; (ii) the Moody's Rating Factor for any Structured Finance Obligation shall be its Moody's Adjusted Rating Factor and (iii) any Collateral Obligation that does not have a Moody's Rating at the date of acquisition shall promptly be submitted to Moody's to obtain an estimate and pending such estimate shall be deemed to have a Moody's Rating of "Caa1" (or, in the case of a Form-Approved Synthetic Security, will be assigned a Moody's Rating Factor based on the Moody's Rating Factor of the Reference Obligation, unless otherwise specified by Moody's); provided that the Collateral Manager has a reasonable expectation that such Collateral Obligation will be assigned a Moody's Rating of at least "Caa1."

“Moody’s Recovery Amount”: With respect to any Collateral Obligation which is a Defaulted Obligation or a Deferring PIK Obligation, the amount equal to the product of (i) the applicable recovery rate set forth in the table under the definition of “Moody’s Recovery Rate” and (ii) the principal balance of such Defaulted Obligation or Deferring PIK Obligation, or such higher amount as is approved by Moody’s; *provided* that the “Moody’s Recovery Amount” of any Synthetic Security which is a Defaulted Obligation or a Deferring PIK Obligation will be the amount determined by Moody’s.

“Moody’s Recovery Rate”: With respect to a Collateral Obligation that is a Loan or Bond as of any date of determination, the recovery rate determined in accordance with the following, in the following order of priority:

- (i) if the Loan or Bond has been specifically assigned a recovery rate by Moody’s (for example, in connection with the assignment by Moody’s of an estimated rating), such recovery rate;
- (ii) if the preceding clause does not apply to the Loan or Bond and the Loan is a Moody’s Senior Secured Loan or a Moody’s Non Senior Secured Loan, the rate determined pursuant to the table below based on the number of rating subcategories difference between the Loan’s or Bond’s Moody’s Obligation Rating and its Moody’s Default Probability Rating (for purposes of clarification, if the Moody’s Obligation Rating is higher than the Moody’s Default Probability Rating, the rating subcategories difference will be positive and if it is lower, negative):

Number of Moody’s Ratings Subcategories Difference Between the Moody’s Obligation Rating and the Moody’s Default Probability Rating	Moody’s Senior Secured Loans	Moody’s Non Senior Secured Loans	Bonds
+2 or more	60.0%	45.0%	40.0%
+1	50.0%	42.5%	35.0%
0	45.0%	40.0%	30.0%
-1	40.0%	30.0%	15.0%
-2	30.0%	15.0%	10.0%
-3 or less	20.0%	10.0%	2.0%

or

- (iii) if no recovery rate has been specifically assigned with respect to a Loan pursuant to clauses (i) above, and the Loan is a DIP Loan, 50%.

With respect to a Collateral Obligation that is a Structured Finance Obligation, the Moody’s Structured Finance Recovery Rate therefor.

With respect to a Collateral Obligation that is a Synthetic Security, the rate assigned by Moody’s on a case-by-case basis.

“Moody’s Senior Secured Loan”: (i) A Loan that:

(a) is not (and cannot by its terms become) subordinate in right of payment to any other obligation of the Obligor of the Loan,

(b) is secured by a valid first priority perfected security interest or lien in, to or on specified collateral securing the Obligor’s obligations under the Loan, and

(c) the value of the collateral securing the Loan, together with other attributes of the Obligor (including, without limitation, its general financial condition, ability to generate cash flow available for debt service and other demands for that cash flow), is adequate (in the commercially reasonable judgment of the Collateral Manager) to repay the Loan in accordance with its terms and to repay all other loans of equal seniority secured by a first lien or security interest in the same collateral, or

(ii) a Loan that:

(a) is not (and cannot by its terms become) subordinate in right of payment to any other obligation of the Obligor of the Loan, other than, with respect to a Loan described in clause (i) above, with respect to the liquidation of such obligor or the collateral for such loan,

(b) is secured by a valid second priority perfected security interest or lien in, to or on specified collateral securing the Obligor’s obligations under the Loan,

(c) the value of the collateral securing the Loan, together with other attributes of the Obligor (including, without limitation, its general financial condition, ability to generate cash flow available for debt service and other demands for that cash flow), is adequate (in the commercially reasonable judgment of the Collateral Manager) to repay the Loan in accordance with its terms and to repay all other loans of equal or higher seniority secured by a first or second lien or security interest in the same collateral, and

(d) if rated by Moody’s, such rating is not lower than the Corporate Family Rating by Moody’s of such Obligor; and

(iii) the Loan is not:

(a) a DIP Loan,

(b) a Loan for which the security interest or lien (or the validity or effectiveness thereof) in substantially all of its collateral attaches, becomes effective, or otherwise “springs” into existence after the origination thereof, or

(c) a type of loan that Moody’s has identified as having unusual terms and with respect to which its Moody’s Recovery Rate has been or is to be determined on a case-by-case basis.

“Moody’s Structured Finance Recovery Rates”: The Moody’s Recovery Rate for a Structured Finance Obligation will be the applicable rate set forth below based on the appropriate sector as categorized by Moody’s:

Collateralized Debt Obligations include (1) High-diversity CDOs (Diversity Score in excess of 20); and (2) Low-Diversity CDOs (Diversity Score of 20 or less)

High Diversity Collateralized Debt Obligations

% of Underlying Capital Structure(1)	Initial Rating of Underlying Asset					
	Aaa	Aa	A	Baa	Ba	B
>70%	85%	80%	65%	55%	45%	30%
<=70%, >10%	75%	70%	60%	50%	40%	25%
<=10%, >5%	65%	55%	50%	40%	30%	20%
<=5%, >2%	55%	45%	40%	35%	25%	10%
<=2%	45%	35%	30%	25%	10%	5%

Low Diversity Collateralized Debt Obligations

% of Underlying Capital Structure(1)	Initial Rating of Underlying Asset					
	Aaa	Aa	A	Baa	Ba	B
>70%	80%	75%	60%	50%	45%	30%
<=70%, >10%	70%	60%	55%	45%	35%	25%
<=10%, >5%	60%	50%	45%	35%	25%	15%
<=5%, >2%	50%	40%	35%	30%	20%	10%
<=2%	30%	25%	20%	15%	7%	4%

(1) Initial par amount of tranche to which Structured Finance Obligation relates divided by initial par amount of total securities issued by Structured Finance Obligation issuer.

“Moody’s Weighted Average Recovery Rate”: As of any date of determination, the number obtained by (a) multiplying the applicable Moody’s Recovery Rate as of such date of each Collateral Obligation (excluding any Defaulted Obligations and Deferring PIK Obligations) by its Principal Balance; (b) summing the amount obtained in clause (a) on such date and (c) dividing the sum obtained in clause (b) by the Aggregate Principal Balance of all Collateral Obligations (excluding any Defaulted Obligations and Deferring PIK Obligations).

“Note Payment Sequence”: The application, in accordance with the Priority of Payments, of Interest Proceeds or Principal Proceeds, as applicable, in the following order:

- (i) to the redemption of the Class A-1 Notes until the Class A-1 Notes have been fully redeemed;
- (ii) to the redemption of the Class A-2 Notes until the Class A-2 Notes have been fully redeemed;
- (iii) to the payment of unpaid Deferred Interest on the Class B Notes until such amounts have been paid in full;
- (iv) to the redemption of the Class B Notes until the Class B Notes have been fully redeemed;
- (v) to the payment of unpaid Deferred Interest on the Class C Notes until such amounts have been paid in full;
- (vi) to the redemption of the Class C Notes until the Class C Notes have been fully redeemed;

(vii) to the payment of unpaid Deferred Interest on the Class D Notes until such amounts have been paid in full; and

(viii) to the redemption of the Class D Notes until the Class D Notes have been fully redeemed.

“Notes”: The Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes, collectively.

“Notice of Default”: A “Notice of Default” under the Indenture.

“Obligor”: The applicable issuer, borrower or guarantor (which in any case is a corporation, company, partnership or trust), or any successor thereto with respect to such Collateral Obligation.

“OC Numerator”: As of any date of determination, the sum of (a) the Aggregate Principal Balance of the Collateral Obligations (other than (i) Defaulted Obligations and (ii) Deferring PIK Obligations), (b) without duplication, the amounts on deposit in the Collection Account and the Ramp-Up Account (including Eligible Investments therein) representing Principal Proceeds, (c) the lesser of the (i) S&P Collateral Value of all Defaulted Obligations (other than Defaulted Obligations that have been held by the Issuer for more than three years) and all Deferring PIK Obligations and (ii) Moody’s Collateral Value of all Defaulted Obligations (other than Defaulted Obligations that have been held by the Issuer for more than three years) and all Deferring PIK Obligations and (d) any unpaid accrued interest on any Collateral Obligation or Eligible Investment that was purchased with Principal Proceeds but excluding any deferred or capitalized interest.

“Operating Guidelines”: the operating guidelines attached to the Collateral Management Agreement as Schedule A.

“Optional Redemption”: As defined in “*Description of the Notes—Payments.*”

“Optional Redemption Date”: The Payment Date next following receipt by the Trustee of the direction to redeem the Notes pursuant to an Optional Redemption (or, if such direction is received less than 45 Business Days prior to a Payment Date, on the next Payment Date thereafter).

“Ordinary Shares”: 1,000 voting Ordinary Shares, par value U.S. \$1.00 per share, of the Issuer.

“Outstanding”: With respect to the Notes or any specified Class, as of any date of determination, “Outstanding” refers to all of the Notes or all of the Notes of such Class, as the case may be, theretofore authenticated and delivered under the Indenture other than Notes cancelled, redeemed, exchanged or replaced in accordance with the terms of the Indenture, as set forth in the Indenture.

“Overcollateralization Ratio”: For any specified Class or Classes of Senior Notes as of any Measurement Date, the percentage derived from dividing (i) the OC Numerator by (ii) the Aggregate Principal Amount of the Notes of such Class and each Class of Notes that ranks senior to such Class, in each case, if applicable (together with any Deferred Interest with respect to such Classes of Notes).

“Overcollateralization Test”: A test that will be satisfied for any specified Class or Classes of Senior Notes as of any Measurement Date beginning on the Determination Date related to the first Payment Date following the Ramp-Up Period if the Overcollateralization Ratio for such Class or Classes is at least equal to the applicable Required Overcollateralization Ratio for such Class or Classes set forth in “*Security for the Notes—The Coverage Tests.*”

“Partial PIK Obligation”: Any PIK Obligation but only if (a) a portion of interest accruing on the outstanding principal amount thereof may not be deferred and capitalized, (b) such interest is required to be paid in cash no less frequently than semi-annually and (c) the rate at which such cash-pay interest accrues is not less than (i) in the case of a floating rate security, the London interbank offered rate (as applicable to such floating rate security) plus 2.0% and (ii) in the case of a fixed rate security, the zero coupon swap rate equivalent of LIBOR (as would be calculated for each Periodic Interest Accrual Period ending on or after the date of acquisition of such fixed rate security) plus 2.0%. For purposes hereof, each Partial PIK Obligation will be treated as having a principal balance which excludes any deferred or capitalized interest thereon.

“Paying Agent”: The Trustee and, so long as any Securities are listed on the Irish Stock Exchange, a listing agent appointed by the Issuer, or any other Person appointed under the Indenture that meets the eligibility standards specified in the Indenture and is authorized by the Co-Issuers to make payments of amounts on the Notes on behalf of the Issuer.

“Paying Agent in Ireland”: NCB Stockbrokers Limited.

“Payment Date”: As defined in “*Summary of Terms—Payments on the Securities.*”

“PCCL”: The Cayman Islands’ Proceeds of Criminal Conduct Law (2005 Revision).

“Periodic Interest Accrual Period”: (i) (a) With respect to the initial Payment Date, the period from and including the Closing Date to but excluding such initial Payment Date and (b) with respect to each Payment Date thereafter, the period from and including the preceding Payment Date to but excluding such Payment Date.

“Permanent Regulation S Global Notes”: The Senior Notes and Income Notes sold to non-U.S. Persons in offshore transactions in reliance on Regulation S, which will be represented following the Exchange Date by one or more permanent global notes in definitive, fully registered form without interest coupons attached.

“Person”: Any individual, corporation, partnership, limited liability partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof.

“PIK Obligation”: An obligation that permits deferral and/or capitalization of interest or other periodic distribution otherwise due. Except as otherwise provided in the Indenture, each PIK Obligation will be considered for purposes of the investment criteria in the Indenture as having a principal balance which excludes any deferred or capitalized interest thereon.

“Placement Agency Agreement”: As defined in “*Purchase and Transfer Restrictions—Section 3(c)(7) of the Investment Company Act.*”

“Placement Agent”: With respect to the Income Notes, Citigroup Global Markets Inc.

“Plan Asset Regulation”: The regulation, 29 CFR Section 2510.3-101, promulgated by the U.S. Department of Labor, as modified by Section 3(42) of ERISA.

“Plans”: ERISA Plans, as well as those plans that are not subject to ERISA but to which Section 4975 of the Code applies, such as individual retirement accounts, including entities whose underlying assets include the assets of such plans.

“Pricing Source”: Loan Pricing Corporation, Markit Group Limited or another pricing service that obtains quotations on a daily basis from a similar range of dealers active in the relevant market designated by the Collateral Manager (*provided* that notice of such designation has been provided to each Rating Agency and Rating Confirmation has been received therefor from S&P).

“Principal Balance”: Subject to certain rules of determination and calculation set forth in the Indenture, with respect to:

- (a) any Collateral Obligation other than a Revolving Loan, as of any date of determination, the outstanding principal amount (or, in the case of a Synthetic Security that is a swap, the notional amount) of such Collateral Obligation;
- (b) any Eligible Investment, as of any date of determination, the outstanding principal amount of such Eligible Investment; and

(c) any Revolving Loan, as of any date of determination, the outstanding principal amount of such Revolving Loan plus any Unfunded Commitments that have not been irrevocably reduced with respect to such Revolving Loan;

provided that:

(i) for all purposes, the Principal Balance of any Equity Security and any exchanged Equity Security will be deemed zero;

(ii) for all purposes (other than calculating Overcollateralization Ratios), the Principal Balance of any Deferring PIK Obligation will be increased to reflect any deferred or capitalized interest;

(iii) for purposes of calculating the Overcollateralization Ratio only, the Principal Balance of any Deep Discount Collateral Obligation shall be equal to the purchase price of such Deep Discount Collateral Obligation;

(iv) for purposes of calculating the Overcollateralization Ratio only, the Principal Balance of any Defaulted Obligation that has been defaulted for more than three years shall be deemed zero;

(v) for purposes of calculating the Overcollateralization Ratio only, the Principal Balance of any Collateral Obligation in which the Trustee does not have a first priority perfected security interest shall be deemed zero; and

(vi) for purposes of calculating the Overcollateralization Ratio only, the Principal Balance of each Collateral Obligation included in the Caa/CCC Excess shall be the lesser of its Market Value and its outstanding principal amount;

provided, further, that if at any time a Collateral Obligation qualifies for inclusion in more than one of the previous paragraphs (i) through (vi), the lowest resulting Principal Balance shall apply.

“Principal Financed Accrued Interest”: With respect to any Collateral Obligation, an amount equal to the amount of Principal Proceeds, if any, applied toward the purchase of accrued interest with respect thereto.

“Principal Priority of Payments”: As defined in “*Description of the Notes—Priority of Payments—Principal Priority of Payments.*”

“Principal Proceeds”: With respect to any Collection Period or Determination Date, all amounts received by the Issuer during the related Collection Period that do not constitute Interest Proceeds.

“Priority of Payments”: The Interest Priority of Payments and the Principal Priority of Payments.

“PTCE”: A Prohibited Transaction Class Exemption.

“QEF”: As defined in “*Certain Income Tax Considerations—Certain United States Tax Consideration—Tax Treatment of Income Notes—Investment in a Passive Foreign Investment Company.*”

“Qualified Institutional Buyers”: “Qualified institutional buyers” as defined in Rule 144A(a)(1) under the Securities Act.

“Qualified Purchasers”: “Qualified purchasers” as defined for purposes of Section 3(c)(7) of the Investment Company Act. See “*Purchase and Transfer Restrictions*” for a general description of this definition.

“Ramp-Up End Date”: The last day of the Ramp-Up Period.

“Ramp-Up Period”: The period from and including the Business Day following the Closing Date to and including May 1, 2007 (or such shorter period as the Collateral Manager may designate by notice to the Issuer and Trustee).

“Ramp-Up Period Criteria”: (A) The Portfolio Profile Test, the Collateral Quality Test and the Coverage Tests, collectively and (B) the Aggregate Principal Balance of Collateral Obligations as of the Ramp-Up End Date being equal to or greater than \$450,000,000 (including the amount of any prepayment on Collateral Obligations and sale proceeds of Collateral Obligations that in either case have not yet been reinvested in other Collateral Obligations).

“Rating”: The S&P Rating or Moody’s Rating thereof, as the case may be (and with the correlative meaning “Rated”).

“Rating Agency”: Either of Moody’s or Standard & Poor’s; “Rating Agencies” shall mean Moody’s and Standard & Poor’s, collectively.

“Rating Confirmation”: With respect to any specified action, written confirmation by both Rating Agencies, or if expressly stated, by a specified Rating Agency, that such Rating Agency will not qualify, downgrade or withdraw its then-current respective rating of any Class of Senior Notes solely as a result of such action.

“Record Date”: With respect to a Payment Date or Maturity Date, as applicable, the close of business on the 15th day prior to such date, or if such day is not a Business Day, the close of business on the next Business Day.

“Reference Banks”: With respect to the determination of LIBOR by the Indenture Calculation Agent, any four major banks in the London interbank market selected by the Indenture Calculation Agent for such purpose.

“Reference Entity”: An obligor on a Reference Obligation.

“Reference Instrument”: The indenture, credit agreement or other agreement pursuant to which a security or debt obligation has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such security or debt obligation or of which the holders of such security or debt obligation are the beneficiaries.

“Reference Obligation”: A debt security or other obligation underlying a Synthetic Security, *provided* that such security or obligation would, if purchased directly by the Issuer, satisfy the Collateral Obligation Eligibility Criteria (except with respect to final maturity and the frequency of the payment of interest).

“Regulation S”: Regulation S promulgated under the Securities Act.

“Regulation S Global Notes”: The Temporary Regulation S Global Notes and the Permanent Regulation S Global Notes.

“Requisite Noteholders”: The Holders of at least 66 2/3% of the Aggregate Principal Amount of the Controlling Class.

“Revolving Loan”: A Loan that (i) provides the borrower with a line of credit against which one or more borrowings (or drawings under a letter of credit for the account of the borrower) may be made and that provides that such borrowed (or drawn) amounts may be repaid and reborrowed from time to time or (ii) is a delayed funding term loan (unless such loan is fully drawn).

“Rule 144A”: Rule 144A under the Securities Act.

“Rule 144A Global Notes”: The Senior Notes initially sold in the United States or to U.S. Persons pursuant to Rule 144A under the Securities Act which are represented by one or more permanent global notes in definitive, fully registered form without interest coupons attached.

“S&P”: As defined in the definition of “Standard & Poor’s” below.

“S&P CDO Monitor Test”: A test that will be satisfied as of any date of determination if the Loss Rate Differential for each Class of Senior Notes after giving effect to any acquisition or sale of a Collateral Obligation (the “Proposed Portfolio”) is positive or is greater than or equal to the Loss Rate Differential for such Class of Senior Notes immediately prior to such acquisition or sale (the “Current Portfolio”).

For purposes of the S&P CDO Monitor Test:

“Break-Even Default Rate” means, for any Class of Senior Notes as of any time, the maximum Aggregate Principal Balance of Defaulted Obligations (expressed as a percentage of the Aggregate Principal Balance of all Collateral Obligations) which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, as determined through application of the S&P CDO Monitor, which, after giving effect to S&P’s assumptions on recoveries and timing and the Priority of Payments, will result in sufficient funds remaining (i) in the case of the Class A Notes, for the timely payment of interest and ultimate payment of principal on such Class, and (ii) in the case of any other Class of Senior Notes, for the ultimate payment of principal and interest on such Class.

“Loss Rate Differential” means, for any Class of Senior Notes as of any time, the percentage calculated by subtracting the S&P Scenario Default Rate for such Class at such time from the Break-Even Default Rate for such Class at such time.

“S&P Scenario Default Rate” means, for any Class of Senior Notes as of any time, an estimate of the cumulative default rate percentage for the Current Portfolio or Proposed Portfolio, as applicable, consistent with the S&P Rating of such Class of Senior Notes as of the Closing Date, determined by application of the S&P CDO Monitor at such time.

“S&P CDO Monitor” means a dynamic, analytical computer program developed by S&P and used to estimate defaulted risk of the Collateral Obligations, as it may be modified by S&P from time to time.

“S&P Collateral Value”: With respect to any Defaulted Obligation or Deferring PIK Obligation and any date of determination, (A) for the first 30 days after such Collateral Obligation becomes a Defaulted Obligation or a Deferring PIK Obligation, the S&P Recovery Amount of such Defaulted Obligation or Deferring PIK Obligation, as applicable, as of such date of determination and (B) thereafter, the lesser of (i) the S&P Recovery Amount of such Defaulted Obligation or Deferring PIK Obligation and (ii) the Market Value of such Defaulted Obligation or Deferring PIK Obligation, in each case as of such date of determination.

“S&P Rating”: As defined in the definition of “Standard & Poor’s Rating” below.

“S&P Recovery Amount”: With respect to any Collateral Obligation which is a Defaulted Obligation or a Deferring PIK Obligation, the amount equal to the product of (i) the applicable recovery rate set forth under the definition of “S&P Recovery Rate” and (ii) the principal balance of such Defaulted Obligation or Deferring PIK Obligation or such higher amount as is approved by S&P.

“S&P Recovery Rate”: With respect to a Collateral Obligation that is a (i) First Lien Loan, 57%, unless S&P shall have assigned a higher recovery rate to such Secured Loan, (ii) Subordinated Lien Loan or senior unsecured Loan, 40 %, unless S&P shall have assigned a higher recovery rate to such Loan (provided that to the extent the Aggregate Principal Balance of Subordinated Lien Loans exceeds 15% of the Collateral Principal Amount, the S&P Recovery Rate for Subordinated Lien Loans shall be 22.8 %), (iii) subordinate loan, 22.8%, unless S&P shall have assigned a higher recovery rate to such Loan, (iv) Senior Secured Bond, 47.5 %, (v) Senior Unsecured Bond, 34.5%, (vi) Subordinated Bond, 21.5%, (vii) Structured Finance Obligation, the percentage set forth in the definition of “S&P Structured Finance Recovery Rates” and (viii) Synthetic Security or DIP Loan, the percentage specified by S&P on a case-by-case basis.

“S&P Structured Finance Recovery Rates”: The S&P Recovery Rate for a Structured Finance Obligation will be the applicable rate set forth below based on the appropriate asset class and highest rated liability rating as categorized by S&P:

Senior Asset Class

	<u>Liability rating</u>						
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC</u>
AAA	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
AA	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
A	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
BBB	50.0%	55.0%	65.0%	75.0%	85.0%	85.0%	85.0%

Junior Asset Class

	<u>Liability rating</u>						
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC</u>
AAA	65.0%	70.0%	80.0%	85.0%	85.0%	85.0%	85.0%
AA	55.0%	65.0%	75.0%	80.0%	80.0%	80.0%	80.0%
A	40.0%	45.0%	55.0%	65.0%	80.0%	80.0%	80.0%
BBB	30.0%	35.0%	40.0%	45.0%	50.0%	60.0%	70.0%
BB	10.0%	10.0%	10.0%	25.0%	35.0%	40.0%	50.0%
B	2.5%	5.0%	5.0%	10.0%	10.0%	20.0%	25.0%
CCC	0.0%	0.0%	0.0%	0.0%	2.5%	5.0%	5.0%

“S&P Weighted Average Recovery Rate”: As of any date of determination, the percentage obtained by (a) calculating the S&P Recovery Amount of each Collateral Obligation (excluding any Defaulted Obligations) in the Collateral; (b)(i) summing the amounts obtained in clause (a) on such date and (ii) adding to the sum obtained in clause (b)(i) an amount equal to the product of the amount of Principal Proceeds in the Collection Account and the S&P Recovery Rate for First Lien Loans and (c) dividing the sum obtained in clause (b) by the sum of (i) the Aggregate Principal Balance of all Collateral Obligations in the Collateral as of such date (excluding any Defaulted Obligations) and (ii) the amount of Principal Proceeds in the Collection Account. For purposes of determining the S&P Weighted Average Recovery Rate, the “S&P Recovery Amount” for any Collateral Obligation of a given category will be the product of (x) the applicable S&P Recovery Rate and (y) the Principal Balance of such Collateral Obligation.

“Sale Proceeds”: All proceeds (excluding accrued interest included in the Interest Proceeds) received with respect to Collateral as a result of sales of such Collateral in accordance with the restrictions described in “*Security for the Notes—Sales and Purchases of Collateral Obligations*” less any reasonable expenses incurred by the Collateral Manager or the Trustee (other than amounts payable as Administrative Expenses) in connection with such sales.

“Section 3(c)(7) Procedures”: As defined under “*Purchase and Transfer Restrictions—Section 3(c)(7) of the Investment Company Act.*”

“Secured Loan”: A Loan that (i) is not and by its terms is not permitted to become subordinated by its terms to any other indebtedness of the borrower for borrowed money and (ii) is secured by a valid and perfected security interest in specified collateral; provided that Subordinated Lien Loans shall constitute Secured Loans.

“Securities”: The Notes, collectively.

“Securities Act”: The U.S. Securities Act of 1933, as amended.

“Securities and Exchange Law”: The Securities and Exchange Law of Japan.

“Senior Notes”: The Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, collectively.

“Share Trustee”: Walkers SPV Limited and its permitted successors.

“Similar Laws”: Any federal, state, local or non-U.S. law or regulation which is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code.

“Standard & Poor’s” or “S&P”: Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

“Standard & Poor’s Rating” or “S&P Rating”: With respect to a Collateral Obligation or Reference Obligation that is a Bond or Loan, the rating determined as follows:

(i) if there is an issuer credit rating of the related Obligor or its guarantor by S&P, the most current issuer credit rating for such Obligor or its guarantor (*provided* that if such issuer credit rating is a confidential private rating, consent to the use of this rating for this purpose must be *provided* to S&P from such Obligor);

(ii) (a) if there is not an issuer credit rating of the Obligor or its guarantor by S&P, but there is a rating by S&P on a senior secured obligation of the Obligor or its guarantor, then the S&P Rating of the Collateral Obligation or Collateral Obligation will be one subcategory below such rating; (b) if there is not a rating by S&P on a senior secured obligation of the Obligor or its guarantor, but there is a rating by S&P on a senior unsecured obligation of the Obligor or its guarantor, then the S&P Rating will be such rating; and (c) if there is not a rating by S&P on a senior unsecured obligation of the Obligor or its guarantor, but there is a rating by S&P on a subordinated obligation of the Obligor or its guarantor, then the S&P Rating will be one subcategory above such rating; or

(iii) if there is neither an issuer credit rating of the Obligor or its guarantor by S&P nor a rating by S&P on an obligation of the Obligor or its guarantor, then the S&P Rating may be determined using any one of the methods below:

(A) if an obligation of the Obligor or its guarantor is publicly rated by Moody’s, then the S&P Rating will be determined in accordance with the methodologies for establishing the Moody’s Rating set forth above, except that the S&P Rating of such obligation will be (1) one subcategory below the S&P equivalent of the rating assigned by Moody’s if such security is rated “Baa3” or higher by Moody’s and (2) two subcategories below the S&P equivalent of the rating assigned by Moody’s if such security is rated “Ba1” or lower by Moody’s; *provided* that Collateral Obligations constituting no more than 10% of the Collateral Principal Amount may be given a S&P Rating based on a rating given by Moody’s as *provided* in this subclause (A) (after giving effect to the addition of the relevant Collateral Obligation, if applicable);

(B) if no other security or obligation of the Obligor or its guarantor is rated by S&P or Moody’s, then the Collateral Manager may apply to S&P for a S&P credit rating estimate, which will be its S&P Rating *provided* that pending such application the S&P Rating of such Collateral Obligation will be deemed to be “CCC+” if the Collateral Manager reasonably believes that the appropriate credit rating is “CCC+” or greater, or otherwise “CCC-”; *provided, however*, that if the S&P credit estimate actually assigned to any obligation that had been deemed to have an S&P Rating of “CCC+” pursuant to this provision pending such estimate is lower than “CCC+”, thereafter the S&P Rating of any obligation pending assignment of a credit estimate shall be “CCC-”; or

(C) if such Collateral Obligation is not rated by Moody’s or S&P, no other security or obligation of the Obligor or its guarantor is rated by S&P or Moody’s and if the Collateral Manager determines in its sole discretion based on information available to it after reasonable inquiry that such Obligor (x) is not subject to any bankruptcy or reorganization proceedings nor in default on any of its obligations, (y) is a legally constituted corporate entity having the minimum legal, financial and operational infrastructure to carry on a definable business, deliver and sell a product or service and report its results in generally accepted accounting terms as verified by a

reputable audit firm and (z) is not so vulnerable to adverse business, financial and economic conditions that default in its financial or other obligations is foreseeable in the near term if current operating trends continue, then the S&P Rating will be “CCC-”; *provided* that the Collateral Manager must request from S&P an S&P credit rating on such Obligor within 30 days after the addition of the relevant Collateral Obligation; *provided, further*, that Collateral Obligations constituting no more than 5% of the Collateral Principal Amount may be given an S&P Rating based on this subclause (C) (after giving effect to the addition of the relevant Collateral Obligation, if applicable);

provided that if (i) the relevant Obligor or guarantor or obligation is placed on any positive “credit watch” list by S&P, such rating will be increased by one rating subcategory or (ii) the relevant Obligor or guarantor or obligation is placed on any negative “credit watch” list by S&P, such rating will be decreased by one rating subcategory.

provided further that with respect to any Collateral Obligation or Reference Obligation to which clause (B) and (C) above are applicable or for which a credit estimate was obtained, for so long as any Notes remain Outstanding, prior to or immediately following the acquisition of any such Collateral Obligation, and on or prior to each one-year anniversary of the acquisition of any such Collateral Obligation, the Issuer shall submit to S&P a request to perform a credit estimate on such Collateral Obligation, together with all information reasonably required by S&P to perform such credit estimate.

Notwithstanding the foregoing, in the case of a Collateral Obligation that is a (A) DIP Loan, the S&P Rating shall be (1) the rating assigned thereto by S&P if the rating is public, (2) the rating assigned by S&P if the rating is confidential, but only if all appropriate parties have *provided* written consent to its disclosure and use, (3) the rating assigned by S&P thereto through an estimated rating or (4) the rating assigned thereto by S&P in connection with the addition thereof to the Collateral upon the request of the Collateral Manager or (B) a Current Pay Obligation, the S&P Rating of such Collateral Obligation shall be deemed to be “CCC-” unless S&P explicitly assigns another rating to such Collateral Obligation.

In the case of a Collateral Obligation that is a PIK Obligation, the S&P Rating may not be determined pursuant to clause (iii)(A) above.

Notwithstanding the foregoing, with respect to a Structured Finance Obligation, the S&P Rating will be determined as follows:

(i) if such Structured Finance Obligation is rated by S&P, the S&P Rating will be such rating, or, if such Structured Finance Obligation is not rated by S&P, but the Collateral Manager has requested that S&P provide a credit estimate for such Structured Finance Obligation, the S&P Rating will be the rating so provided by S&P; *provided* that if such Structured Finance Obligation has been put on a “watchlist” for possible downgrade by S&P, then the S&P Rating of such Structured Finance Obligation shall be one subcategory below its rating then in effect;

(ii) with respect to any Structured Finance Obligation that has not been rated by S&P pursuant to clause (i) above but has been publicly rated by Moody’s or Fitch, then the S&P Rating of such Structured Finance Obligation may be determined using the applicable method below:

(A) with respect to any Structured Finance Obligation issued before August 1, 2001, (1) if such Structured Finance Obligation is rated at least “Baa3” by Moody’s or at least “BBB-” by Fitch, then the S&P Rating thereof will be one rating subcategory below the S&P equivalent rating of the lower of such Moody’s rating or Fitch rating and (2) if such Structured Finance Obligation is rated below “Baa3” by Moody’s or below “BBB-” by Fitch, then the S&P Rating thereof will be two rating subcategories below the S&P equivalent rating of the lower of such Moody’s rating or Fitch rating; or

(B) with respect to any Structured Finance Obligation issued on or after August 1, 2001, (1) if such Structured Finance Obligation is rated at least “Baa3” by Moody’s or at least “BBB-” by Fitch, then the S&P Rating thereof will be two rating subcategories below the S&P equivalent rating of the lower of such Moody’s rating or Fitch rating and (2) if such Structured Finance Obligation is rated below “Baa3” by Moody’s or below “BBB-” by Fitch, then the S&P Rating thereof will be three rating subcategories below the S&P equivalent rating of the lower of such Moody’s rating or Fitch rating;

provided that (x) the Aggregate Principal Balance of Structured Finance Obligations with an S&P Rating determined pursuant to paragraph (ii) above may not exceed 10% of the Collateral Principal Amount and (y) if a Structured Finance Obligation is not rated by S&P and is not described in paragraph (ii), the Collateral Manager must request that S&P assign a credit estimate rating to such Structured Finance Obligation.

“Step-up Obligation”: An obligation which bears interest at a fixed rate until a specified future date or dates, at which time it bears interest at a fixed rate that is higher than the previous rate.

“Structured Finance Obligation”: A security that (i) is issued by a special purpose vehicle and secured by all or a portion of the assets thereof, (ii) is a cash-flow or synthetic “collateralized debt obligation” security, (iii) with respect to which substantially all of the underlying assets or reference assets are loans, bonds or other debt obligations issued by a corporation, partnership or company or asset-backed securities, (iv) with respect to which information concerning the outstanding principal amount, payments scheduled to be made and actually made, interest or principal deferred or written down and other principal economic terms is available generally on a current basis to market participants (including through data vendors), (v) that had as of the date of issuance thereof a Moody’s Rating of at least “Ba3” or an S&P rating of at least “BB-” and (vi) that has as of its date of purchase a Moody’s Rating of at least “B3” and an S&P rating of at least “B-”. Notwithstanding the foregoing, the Issuer shall not be permitted to acquire Structured Finance Obligations (i) for which the Collateral Manager acts as investment adviser or investment manager for the relevant issuer or (ii) that do not have a Moody’s Assigned Rating.

“Subordinated Lien Loan”: A Loan that (i) is not (and by its terms is not permitted to become) subordinate in right of payment to any other debt for borrowed money incurred by the obligor under the Loan, other than a First Lien Loan, and (ii) is secured by a valid and perfected security interest or lien on specified collateral securing the obligor’s obligations under such Loan, which security interest or lien is not subordinate to the security interest or lien securing any other debt for borrowed money other than a First Lien Loan on such specified collateral; *provided*, however, that with respect to clauses (i) and (ii) above, such right of payment, security interest or lien may be subordinate to customary permitted liens, such as, but not limited to, tax liens.

“Synthetic Security”: Any derivative financial instrument with respect to one or more Reference Obligations entered into with a Synthetic Security Counterparty whether in the form of a swap transaction, structured bond investment, credit-linked note, credit-linked certificate or other similar instrument (including, without limitation, a Loan Credit Default Swap), purchased, or entered into, by the Issuer, for which the Issuer has received Rating Confirmation relating to the inclusion of such derivative financial instrument in the Collateral (except in the case of a Form-Approved Synthetic Security); *provided* that such derivative financial instrument either (x) will be treated as debt or a notional principal contract for U.S. federal income tax purposes or (y) has no payments that are subject to U.S. withholding tax or U.S. insurance premium excise tax; *provided, further*, that the Collateral Manager shall request from Moody’s the Moody’s Rating, Moody’s Rating Factor and Moody’s Recovery Rate for such Synthetic Security and request from S&P the S&P Rating and S&P Recovery Rate for such Synthetic Security (except as otherwise provided herein, and *provided* that a Loan Credit Default Swap that is a Form-Approved Synthetic Security will be deemed to have the characteristics of the related Reference Obligation (other than for purposes of the S&P Rating and the S&P Recovery Rate for such Synthetic Security)); *provided, further*, that (i) no Synthetic Security may include Restructuring (as defined in the 2003 ISDA Credit Derivatives Definitions) as a Credit Event (as defined in the 2003 ISDA Credit Derivatives Definitions) and (ii) any Synthetic Security which is subject to a Credit Event (as defined in the 2003 ISDA Credit Derivatives Definitions) may only be settled by delivery of a qualifying deliverable obligation; *provided, further*, that any amendment or modification of any contract relating to a Synthetic Security for which the Issuer previously obtained Rating Confirmation may only be entered into with Rating Confirmation. Except as otherwise provided herein, for purposes of the

determination of the Weighted Average Fixed Rate Coupon, Weighted Average LIBOR Spread, Weighted Average Life Test, Weighted Average Rating, Moody's Weighted Average Recovery Rate and S&P Weighted Average Recovery Rate, a Synthetic Security will be deemed to have the characteristics of such Synthetic Security (and not the related Reference Obligation). For purposes of the Portfolio Profile Test, a Synthetic Security will be deemed to have the characteristics of the related Reference Obligation (except that the Moody's Assigned Rating, the Moody's Recovery Rate and the S&P Recovery Rate will be used).

“Synthetic Security Counterparty”: An entity (other than the Issuer) required to make payments on a Synthetic Security (including any guarantor).

“Tax Advantaged Jurisdiction”: One of the Cayman Islands, Bermuda, the Netherlands Antilles or the tax advantaged jurisdiction of the Channel Islands, or such other jurisdiction that each Rating Agency has confirmed in writing will not result in a qualification, downgrade or withdrawal of its then-current rating of any Class of Securities.

“Tax Event”: Either (i) the adoption of, or a change in, any tax statute (including the Code), treaty, regulation (whether temporary or final), rule, ruling, practice, procedure or judicial decision or interpretation which results or will result in withholding tax payments in an amount in excess of 10% of the net income of the Issuer during the Collection Period as a result of the imposition of withholding tax on payments to the Issuer with respect to which the obligors are not required to make gross-up payments that cover the full amount of such withholding taxes on an after-tax basis or (ii) a final determination by the IRS or a court of competent jurisdiction or an opinion of nationally recognized tax counsel experienced in such matters acceptable to the Collateral Manager to the effect that the Issuer is or has become subject to taxation in an amount in excess of 10% of the net income of the Issuer during the Collection Period, whether as a result of being deemed to be engaged in the conduct of a trade or business within the United States for U.S. federal income tax purposes or otherwise.

“Temporary Regulation S Global Notes”: The Senior Notes and Income Notes sold to non-U.S. Persons in offshore transactions in reliance on Regulation S, which will be initially represented by one or more temporary global notes per Class in definitive, fully registered form without interest coupons attached.

“Term Loan”: A Loan that is a funded term loan (including a fully-funded delayed-funding term loan).

“Trust Accounts”: The Collection Account, the Custodial Account, the Expense Reserve Account, the Payment Account, the Ramp-Up Account, the Revolving Funding Reserve Account, the Synthetic Security Counterparty Account(s) and the Synthetic Security Issuer Account(s), collectively.

“Trustee”: Wells Fargo Bank, National Association, as trustee under the Indenture, and its permitted successors.

“Trustee Expenses”: As defined in “*Description of the Notes—The Indenture and the Collateral Administration Agreement—Trustee and Collateral Administrator.*”

“Trustee Fee”: As defined in “*Description of the Notes—The Indenture and the Collateral Administration Agreement—Trustee and Collateral Administrator.*”

“U.S. Person”: The meaning assigned to such term in Regulation S under the Securities Act.

“UBTI”: As defined in “*Certain Income Tax Considerations—Certain United States Tax Considerations—Tax Treatment of Tax-Exempt U.S. Holders.*”

“Unfunded Commitment”: With respect to a Revolving Loan, the obligation of the lenders thereunder to extend credit to or for the account of the applicable borrower(s) thereunder.

“Unfunded Portion”: With respect to an Unfunded Commitment, the amount available to be borrowed or drawn thereunder, assuming compliance with all applicable conditions to borrowing or drawing.

“Weighted Average Fixed Rate Coupon”: On any date of determination, with respect to any Collateral Obligations that bear interest at a fixed rate other than Defaulted Obligations, Deferring PIK Obligations and Equity Securities, the weighted average coupon (expressed as a percentage) thereof obtained by (i) multiplying the Aggregate Principal Balance of each such Collateral Obligation by the current interest rate of such Collateral Obligation, as of such date, (ii) summing the amounts determined pursuant to clause (i), (iii) dividing such sum by the Aggregate Principal Balance for all such Collateral Obligations and (iv) adding to such percentage, the fraction (expressed as percentage) obtained by dividing (a) the Gross Excess Spread, if any, as of such date by (b) the Aggregate Principal Balance for all such Collateral Obligations. With respect to a Partial PIK Obligation, only the portion thereof currently paying interest shall be included in clause (i) above.

“Weighted Average LIBOR Spread”: On any date of determination, with respect to any Collateral Obligations that bear interest at a floating rate other than Defaulted Obligations, Deferring PIK Obligations and Equity Securities, the weighted average spread (expressed as a percentage) thereof obtained by (i) multiplying the Aggregate Principal Balance of each such Collateral Obligation by (x) with respect to each such Collateral Obligation which bears interest at a rate based on LIBOR, the spread to LIBOR for such Collateral Obligation as of such date or (y) with respect to each such Collateral Obligation which does not bear interest at a rate based on LIBOR as of the relevant date, the current interest rate on such Collateral Obligation minus the LIBOR rate in effect as of such date (or, if the documentation for such Collateral Obligation specifies a designated spread to LIBOR and such spread is less than such difference, such spread), (ii) summing the amounts determined pursuant to clause (i), (iii) dividing such sum by the Aggregate Principal Balance for all such Collateral Obligations and (iv) adding to such percentage the fraction (expressed as a percentage) obtained by dividing (a) the Gross Excess Coupon, if any, as of such date by (b) the Aggregate Principal Balance for all such Collateral Obligations. With respect to each Collateral Obligation that is a Revolving Loan, the amount determined for purposes of clause (i) above will be the sum of the amount calculated as described in (i)(x) or (y) above for the funded portion of such Collateral Obligation and the unfunded principal balance thereof multiplied by the applicable commitment fee rate or spread payable with respect to such unfunded portion. With respect to a Partial PIK Obligation, only the portion thereof currently paying interest shall be included in clause (i) above.

“Weighted Average Life Test”: A test that will be deemed satisfied as of any date of determination if the remaining weighted average life of the Collateral Obligations (other than Defaulted Obligations and Deferring PIK Obligations) as of such date is less than or equal to the number of years (including any fraction of a year) between such date and January 18, 2017.

“Weighted Average Rating”: As of any date of determination, the number obtained by (i) multiplying the Aggregate Principal Balance of each Collateral Obligation (other than Defaulted Obligations and Deferring PIK Obligations) by the applicable Moody’s Rating Factor for the related Obligor; (ii) summing the product obtained in clause (i) for all Collateral Obligations (other than Defaulted Obligations and Deferring PIK Obligations) and (iii) dividing the sum obtained in clause (ii) by the Aggregate Principal Balance of all Collateral Obligations (other than Defaulted Obligations and Deferring PIK Obligations).

“Zero-Coupon Obligation”: A debt obligation that, based on its terms at the time of determination, does not make periodic payments of interest. A Zero-Coupon Obligation will not include an obligation that is a PIK Obligation.

INDEX OF DEFINED TERMS

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PRINCIPAL OFFICES OF THE CO-ISSUERS

Clear Lake CLO, Ltd.
c/o Walkers SPV Limited
Walker House
87 Mary Street
George Town KY1-9002
Grand Cayman, Cayman Islands

Clear Lake CLO, Corp.
c/o Puglisi & Associates
850 Library Avenue, Suite 204
Newark, Delaware 19711

TRUSTEE, PAYING AGENT AND TRANSFER AGENT

Wells Fargo Bank, National Association
9062 Old Annapolis Road
Columbia, Maryland 21045

IRISH PAYING AND IRISH LISTING AGENT

NCB Stockbrokers Limited
3 George's Dock
Dublin 1, Ireland

COLLATERAL MANAGER

Jefferies Capital Management, Inc.
11100 Santa Monica Boulevard, 11th Floor
Los Angeles, CA 90025

LEGAL ADVISORS

To the Co-Issuers

As to United States law

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, NY 10006

To the Initial Purchaser and Placement Agent

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, NY 10006

To the Issuer

As to Cayman Islands law

Walkers
Walker House
87 Mary Street
George Town
Grand Cayman KY1-9001
Cayman Islands

To the Collateral Manager

McDermott Will & Emery LLP
340 Madison Avenue
New York, New York 10017

Clear Lake CLO, Ltd. Clear Lake CLO, Corp.

U.S. \$343,000,000 Class A-1 Floating Rate Senior Notes Due 2020
U.S. \$21,500,000 Class A-2 Floating Rate Senior Notes Due 2020
U.S. \$27,000,000 Class B Floating Rate Deferrable Senior Subordinate Notes Due 2020
U.S. \$20,000,000 Class C Floating Rate Deferrable Senior Subordinate Notes Due 2020
U.S. \$15,500,000 Class D Floating Rate Deferrable Subordinate Notes Due 2020
U.S. \$36,750,000 Income Notes Due 2020

OFFERING CIRCULAR

JANUARY 17, 2007

Citigroup
